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# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**THE EU ARMS EMBARGO ON CHINA, FROM 2001 TO  
THE PRESENT: IMPLICATIONS FOR THE UNITED  
STATES**

by

Jano R. Carlson

June 2008

Thesis Advisor:  
Second Reader:

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**THE EU ARMS EMBARGO ON CHINA, FROM 2001 TO THE PRESENT:  
IMPLICATIONS FOR THE UNITED STATES**

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Major, United States Marine Corps  
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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

from the

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## **ABSTRACT**

Since 2001, the status of the EU arms embargo on China has had important implications for the United States. As an issue in the U.S.-EU, China-EU, and China-U.S. bilateral relationships, the status of the embargo has both been perpetuated and weakened by issues relating to security, human rights, and trade. The embargo debate continues to raise awareness on these issues as well as on competing interests and concerns over the true intent of an EU-China strategic partnership.

American security interests would be negatively affected if the EU were to lift the embargo. The strategic implications of such an action would disrupt the current regional balances of power and potentially raise the probability of conflict. The EU has great economic interest in lifting the embargo in terms of gains in total trade, weapons sales, and the export of dual-use technology. However, American pressure and increased popular awareness on human rights issues within the EU have affected the EU's decision-making about the embargo. Formal and concerted efforts to lift the embargo stalled in 2005, but it remains in Washington's interest to continue to discourage EU governments from making shortsighted efforts to obtain financial gains without first considering long-term strategic implications.



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# **I. INTRODUCTION**

## **A. PURPOSE**

American leaders are facing tough decisions on policy toward China. China's rapidly growing economy and military capabilities have caused strong unease among American policymakers who have searched for appropriate policy responses including containment, engagement, and hedging as well as complimentary bilateral and multilateral approaches. Given the lack of political reform in China, as well as China's involvement in weapons proliferation and human rights abuses, the implications for American interests of China's rise are often hotly debated.

Since 2001, the United States has been actively engaged in what it calls the Global War on Terror (GWOT), particularly in the Middle East, and so to some extent it has been distracted from Europe and Asia. In 2003, American involvement in the war in Iraq and widespread European perceptions of American unilateralism caused a rift among the United States and several European countries. In the same year, several European and Chinese leaders declared their intention to foster a "strategic partnership" based on multipolarity and began discussing an end to the EU arms embargo.

Overall, the question that this thesis seeks to answer is the following: Since 2001, how have American interests been affected by Chinese and European Union attempts to end the EU arms embargo as a step in pursuing a Sino-EU strategic partnership? Related questions include:

- 1) How would American security interests be affected if the EU lifted the embargo? What might be the strategic implications of such an action?
- 2) What economic interest would the EU have in lifting the embargo? What would the EU hope to gain in total trade, weapons sales, and the export of dual-use technology?
- 3) What instruments of American pressure may affect the EU's decision-making about the embargo? To what extent has popular support within the EU for EU principles of human rights stalled the removal of the embargo?

- 4) To what extent are current U.S.-EU relations strained by the American perception that attempts by EU governments to lift the embargo constitute evidence of counterbalancing by China and the EU against the United States? Alternatively, do Americans view these attempts by EU governments as shortsighted efforts to obtain financial gains without considering long-term strategic implications?
- 5) What does China hope to gain in terms of military technology and imports from Europe that would help to lessen trade imbalances? How is this a part of China's quest for a normalized relationship with the EU?
- 6) To what extent have the 2005 Anti-Secession law and China's failure to address EU human rights concerns by ratifying the UN Convention on Civil and Political Rights, as promised in 1998, been factors in perpetuating the embargo? Furthermore, how have the still imprisoned Tiananmen Square protesters affected human rights concerns in Europe?
- 7) To what degree are current Sino-EU relations strained by the failed attempts to lift the embargo? In what ways has the tone of the annual EU-China summits changed since 2003, when the concept of an EU-China strategic partnership was most strongly evoked?
- 8) What should an effective U.S. policy toward China entail to foster American interests in terms of security and human rights principles, and trade?

## **B. IMPORTANCE**

The international relations discipline often suggests balance of power theories in which states seek to balance against or bandwagon with stronger powers. In the post-Cold War era, the opposition to the United States is not so clearly defined. A balance must be found between international differences in ideology and culture on one hand and a desire for economic prosperity and security on the other. While the GWOT has been the focus of American foreign policy, the future of the triangular relationship between the United States, Europe, and China will be critical for all parties in terms of economic prosperity and security.

## **C. LITERATURE REVIEW**

### **1. The Debate**

Some conservative American think-tanks have suggested that China and some European nations are striving for multipolarity with the United States in mind as their object.<sup>1</sup> At stake are the EU arms embargo, cross-Strait balance of power, and human rights issues. Conversely, Europeans, particularly France and Germany, have actively sought a strategic partnership with China, including consideration of ending the embargo. In response to the United States, Europe has downplayed the Sino-European relationship and defined it mostly in economic terms.

### **2. The Context**

There have been several periods of hardening tensions between the United States and China in recent years, including the 1989 Tiananmen Square massacre, the 1995-1996 Taiwan Strait missile crisis, the 1999 B-2 bombing of the Chinese embassy in Belgrade, and the 2001 EP-3 midair collision. Between 1992 and 1995, China also generated a hardening of tensions in Asia, after it applied strong pressure on several Southeast Asian nations over territorial disputes in the Spratly Islands. The result was a perceived “China threat” in Southeast Asia, which led to initiatives to strengthen alliances with the United States in order to counterbalance the threat, including the 1998 Visiting Forces Agreement (VFA) in the Philippines and the 1998 port facilities agreement in Singapore to accommodate American aircraft carriers.<sup>2</sup> In response, between 1999 and 2001 Beijing sought unsuccessfully to rally European support against American ballistic missile defense.<sup>3</sup> From these experiences, the Chinese learned two

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<sup>1</sup> David C. Gompert, et al. *China on the Move, a Franco-American Analysis of Emerging Chinese Strategic Policies and their Consequences for Transatlantic Relations*. National Defense Research Institute (Santa Monica, CA: RAND Corporation, 2005), 46. See also, David Shambaugh. “The New Strategic Triangle: U.S. and European Reactions to China’s Rise.” *The Washington Quarterly*. Washington, D.C.: The Center for Strategic and International Studies (Summer 2005): 12.

<sup>2</sup> Leszek Buszynski. “ASEAN, the Declaration on Conduct, and the South China Sea,” *Contemporary Southeast Asia*. 25, 3 (December 2003): 352.

<sup>3</sup> Phillip C. Saunders. *China’s Global Activism: Strategy, Drivers, and Tools* (Washington, D.C.: National Defense University Press, 2006), 5.



valuable lessons: attempts at strong-armed unilateralism invite receptiveness to American military power in Southeast Asia, and in Europe, aggressive “coalitions to restrain the United States are infeasible because of the high value other great powers place on cooperation with Washington.”<sup>4</sup> Since then, China’s diplomacy has been softer and less threatening, at a time when the worldview of the United States has been changing in reaction to 9/11.

In addition to China’s admittance into the World Trade Organization, 2001 proved to be a turning point in the foreign policies in both Beijing and Washington. The Bush administration began actively pursuing China’s support for the Global War on Terror and was otherwise distracted from Europe and Asia. Then President Jiang Zemin gained cooperation against terrorist separatists in the western province of Xinjiang, and Beijing also benefited from American preoccupation in the Middle East. Washington was suddenly less critical of the human rights issues of ethnic “separatists” and now more concerned with offensive efforts against “terrorists.” Although China opposed the United Nations Security Council resolutions on Iraq, it did not take the aggressive lead in diplomatic efforts to oppose it, as Germany and France had hoped. Instead, it warmed relations with Washington.<sup>5</sup> Because of the unpopular war in Iraq, Europe sought to distance itself from association with American unilateral and hegemonic behavior by becoming increasingly critical of the Bush administration. In this environment, China moved to establish strategic partnerships with Europe, anticipating more receptivity than it found in the 1990s. What are the implications of strengthening ties between China and Europe for the United States? Can China and Europe play balance of power against the United States by striving for multipolarity?

### **3. Opposing Views**

There are two schools of thought on the strengthening ties between China and Europe. The liberal or idealist camp argues that China is pursuing mutually beneficial

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<sup>4</sup> Phillip C. Saunders. *China’s Global Activism: Strategy, Drivers, and Tools* (Washington, D.C.: National Defense University Press, 2006), 5.

<sup>5</sup> Ibid., 6.

economic agreements, demonstrating the stabilizing effect of growing economic interdependence. This theory also argues that even after Beijing reaches a position of prosperity, it will continue to abide by peaceful international norms because there is no reason why China would not want to be even more prosperous, especially considering the “high cost” and “low benefit” to non-compliance.<sup>6</sup> In recent years, China and the EU have “become each other’s leading trading partners,” as trade has grown to forty times what it was thirty years ago. In addition, the EU has become “the largest foreign supplier of technology and equipment to China, and one of the top foreign direct investors in China.”<sup>7</sup> Of note, China’s large aircraft order from the struggling Airbus conglomerate has been critical in reducing negative earnings for the company and fostering friendly ties and working relationships in Europe.

The realist school argues that stronger EU-China ties represent an effort to counter American hegemony by both Europe and Asia, as well as a move by China to overcome American containment initiatives.<sup>8</sup> Realists maintain that China’s diplomatic shift since 2001, commonly referred to as its “charm offensive,” demonstrates the use of “soft power” to counterbalance against “soft containment.” Its softened stance furthers its intention of using economic gains to fund military capability, regional hegemony, and eventual territorial expansion in Taiwan and the Spratlys. Beijing’s promotion of ties with Europe in the annual EU-China summits, have fostered strategic partnerships and planning of military exchanges, training, joint exercises, and are seen as the heart of this strategy.<sup>9</sup> Of particular importance to the Sino-European relationship, according to the

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<sup>6</sup> Michael D. Swaine and Ashley J. Tellis. *Interpreting China’s Grand Strategy Past, Present, and Future* (Santa Monica, CA: RAND Corporation, 2000), 193. See also Zalmay Khalilzad. *The United States and a Rising China: Strategic and Military Implications* (Santa Monica, CA: RAND Corporation, 1999), 26, and Jiang Yong. “Economic Security: Redressing Imbalance” *China Security* vol. 3 no. 2 (Spring 2007): 66.

<sup>7</sup> David Shambaugh. “European and American Approaches to China: Different Beds. Same Dreams?” *Sigur Center Asia Papers* no. 15 (Washington, D.C.: George Washington University, March 2002), 1.

<sup>8</sup> Zalmay Khalilzad. *The United States and a Rising China: Strategic and Military Implications* (Santa Monica, CA: RAND Corporation, 1999), 17, 19, and 70. See also Richard K. Betts. *Conflict after the Cold War: Arguments on Causes of War and Peace*. (New York: Macmillan, 1994), 75.

<sup>9</sup> David Shambaugh. “European and American Approaches to China: Different Beds. Same Dreams?” *Sigur Center Asia Papers* no. 15 (Washington, D.C.: George Washington University, March 2002), 7.

realist perspective, is the downplaying of human rights concerns in China, which is the hinge in China's hope to end the EU embargo on military equipment and technology.<sup>10</sup>

Some realists would also argue that Europe has been distancing itself from the United States. In recent years political commentary in the media have compared the 1990-91 Persian Gulf War to the 2003 war in Iraq, as an acute shift in American foreign policy from multi-lateral coalition-building to a unilateral "go-it-alone" policy. This argument also holds that, with the exception of the United Kingdom, Europe and its reservations about the war were brushed aside and considered to be largely irrelevant. Additionally, this argument concludes that a lack of European reconstructive efforts in Iraq is retribution for Washington's disregard. Robert Kagan argues that the Europeans and Americans no longer share the same "strategic culture" and that Europe has evolved into a liberal realm of "self-contained world laws and rules and transnational negotiation and cooperation." American diplomacy, he argues, relies on "an anarchic Hobbesian world where international laws and rules are unreliable, and where true security and the defense and promotion of a liberal order still depend on the possession and use of military might."<sup>11</sup> Since the fall of the Berlin Wall and subsequent collapse of the Soviet Union, Europe and the United States no longer share the common security threat of the "Russian bear." Instead, divergent applications and views of international diplomacy may add to the rift.

In January 2003, after "quietly approaching the North Atlantic Treaty Organization (NATO) to explore the possibility of initiating a security dialogue," Beijing and NATO met for security discussions.<sup>12</sup> In October 2003 the sixth EU-China summit agreed to cooperation on satellite navigation, tourism, and a "new mechanism for industrial policy dialogue." In January 2004 China and France agreed to a "joint declaration to deepen their comprehensive strategic partnership in political, economic,

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<sup>10</sup> Camilla T. N. Soerensen. "The EU's Approach toward Relations with Tokyo and Beijing," *China Brief* vol. 7 no. 9, The Jamestown Foundation (May 2, 2007): 10.

<sup>11</sup> Robert Kagan. *Of Paradise and Power, America and Europe in the New World Order* (New York, NY: Vintage Books, 2004), 4.

<sup>12</sup> David Shambaugh. *Power Shift: China and Asia's New Dynamics* (Berkeley, CA: University of California Press, 2005), 254.

and cultural arenas.”<sup>13</sup> Without question, PRC and Europe have moved closer together in many unprecedented ways. However, the post-Tiananmen Square EU arms embargo remains unchanged to this day. From a realist perspective, EU member governments are generally much more willing to end the EU embargo than is the U.S. government. First, the post-colonial Europeans no longer have immediate interests in the East Asian region, nor—with the exceptions of France and the UK—are they any longer capable of projecting military power in the region, so they would not be threatened by a more powerful China in the same way as the United States, Japan, and Taiwan. Even still, the French and UK military presence in East Asia has been described as merely occasional.<sup>14</sup> Furthermore, Michael Yahuda has said that although France possesses some islands in Asia and Britain is still a member of the Five Power Defense Arrangement, “it is doubtful whether either would claim to contribute materially to the key defense issues in the region.”<sup>15</sup> Second, European defense industries lack the massive domestic sales of their counterparts in the United States and Japan and would therefore have much to gain from access to Chinese defense markets. However, from a practical or political perspective, human rights, while important to Washington, also have a tremendous importance in the European Union that cannot easily be overlooked. The status of the EU arms embargo continues to be actively debated.

In reality, the EU-China summits and strategic partnership of 2003 have fostered economic interests but not security and strategic concerns, in part “because of the EU’s general uncertainty about its security role in East Asia.”<sup>16</sup> In spite of consistent lobbying by Tokyo and Washington, in late 2003 the EU “declared its intention to work towards lifting of the weapons embargo.”<sup>17</sup> The EU has since delayed its decision and deferred the matter to subsequent EU-China summits because of the backlash following the 2005

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<sup>13</sup> David Shambaugh. *Power Shift: China and Asia’s New Dynamics* (Berkeley, CA: University of California Press, 2005), 254.

<sup>14</sup> Michael Yahuda. “Europe and America in Asia: Different Beds. Same Dreams?” *Sigur Center Asia Paper* no. 18. Washington, D.C.: George Washington University, March 2004, 1.

<sup>15</sup> Ibid.

<sup>16</sup> Camilla T. N. Soerensen. “The EU’s Approach toward Relations with Tokyo and Beijing,” *China Brief* vol. 7 no. 9, The Jamestown Foundation (May 2, 2007): 10.

<sup>17</sup> Ibid.

Anti-Secession Law and human rights pressures internal to the EU.<sup>18</sup> In light of the 2008 Olympics, Beijing has been intensely sensitive regarding negative media on Darfur issues and has subsequently placed diplomatic pressure on the Sudanese government. On some levels the U.S.-China relationship can be called a “strategic rivalry,” while the EU-China relationship seems to be finding some way at arriving at a “strategic partnership.” Could China be seeking an opportunity to play the United States and Europe against each other? China’s rise in military power, economic might, and increased political influence have raised suspicions over its true intentions. Some would argue that China is pursuing a “peaceful rise” and that “the China-EU relationship should not be built at the expense of either’s relationship with the United States.”<sup>19</sup> Particularly since 2003, Washington has closely watched growth of the Brussels-Beijing relationship and lobbied hard to maintain the status-quo on the EU arms embargo. The fruit of this “honeymoon” will be critical given the strong mutual economic trade interest shared by Europe and China, but also the deep divide over the embargo, human rights, fair market competition, and stability in Taiwan Strait.

## **D. METHODOLOGY, SOURCES, AND SYNOPSIS**

### **1. Methodology**

In analyzing the triangular relationship among the United States, Europe, and China, three comparative case studies focus on the bilateral relationships between U.S.-EU, China-EU, and China-U.S.. Each case study assesses the effects of security issues, human rights, and trade concerns as they pertain to the EU arms embargo and the realization of a strategic partnership between China and Europe. The dependent variable is the quality or status of the EU arms embargo. Independent variables affecting the strength of that relationship include security issues, human rights, and trade concerns.

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<sup>18</sup> Camilla T. N. Soerensen. “The EU’s Approach toward Relations with Tokyo and Beijing,” *China Brief* vol. 7 no. 9, The Jamestown Foundation (May 2, 2007): 10.

<sup>19</sup> Stanley Crossick. “Whither the EU-China Strategic Partnership?” *Chinese Institute of International Studies* no. 4 (Winter 2006), 22, [http://www.ec-an.eu/files/Whither\\_the\\_eu\\_china\\_strategic\\_partnership.pdf](http://www.ec-an.eu/files/Whither_the_eu_china_strategic_partnership.pdf) (accessed May 29, 2007).

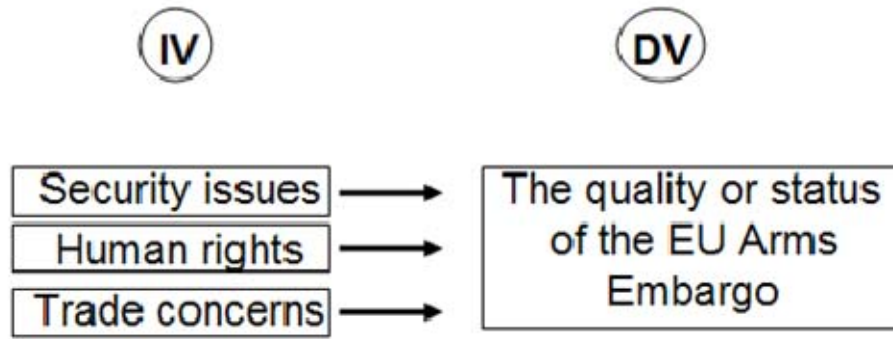


Figure 1. Independent and dependent variables

## 2. Sources

Various primary and secondary sources are used in this thesis, including: academic literature, press reports, political commentary, unclassified intelligence, and trade reports. Secondary sources consist mainly of reports by the Congressional Research Service and by think-tanks such as the Brookings Institution, the Heritage Foundation, the RAND Corporation, and some European and Chinese counterparts. Whenever possible, secondary sources are traced to the original source. These sources support the individual case studies and the hypothesis.

## 3. Thesis Synopsis and Summary of Findings

This thesis hypothesizes that since 2001, American strategic and economic interests have been increasingly affected by Chinese and European attempts to realize a strategic partnership. In what is now known as a triangular relationship (among the United States, Europe, and China), China and Europe have indicated a desire to counterbalance against the United States. The expressed desire to establish “multipolarity” has changed to “multilateralism” due in large part to American concern and pressures on Europe. China and Europe have for the most part only realized economic benefits and trade, but this is due in large part to an active U.S. lobby on Europe in order to maintain the embargo. Additionally, the passage of the 2005 Anti-Secession Law brought security and human rights issues to the forefront of the embargo

debate. Trade surpluses in China's favor have also functioned to slow the realization of a full partnership, as have the replacement of Jacques Chirac and Gerhard Schroeder by Nicolas Sarkozy and Angela Merkel, respectively. This thesis argues that the appropriate U.S. foreign policy toward Europe should maintain a heavy focus on the arms embargo, human rights, and trade issues. In other words, the failure of the Sino-European partnership to fully come to fruition is due in large part to U.S. efforts, which should therefore be maintained.

## **E. THE ORIGINS AND DEFINITION OF THE EMBARGO**

Beginning on April 21, 1989 and lasting until early June 1989, massive numbers of Chinese protestors rallied in Tiananmen Square to protest government corruption and economic policies, which were believed to have caused inflation and unemployment. However, the Tiananmen protestors, including the famous, lone, and defiant "tank man," are most often remembered in Western media for their calls for democracy and their embrace of the celebrated statue of the "Goddess of Democracy." Fearing a threat to its grip on power, the government called in military forces and on June 3<sup>rd</sup> and 4<sup>th</sup>, the People's Liberation Army (PLA) fired on unarmed protestors, killing between several hundred and several thousand, according to a broad range of published estimates. Often referred to as the Tiananmen Square protests, the Tiananmen Square massacre, or the June-Fourth Movement, this event was witnessed and reported on by foreign media that had arrived to cover Soviet President Mikhail Gorbachev's visit. The result was wide-ranging and harsh criticism of China's human rights abuses as well as a rekindled international desire to isolate it. The U.S. State Department summarized its position in the following statement in 2004 with a rather conservative estimate of the number of casualties: "the Chinese army is believed to have killed or injured hundreds of unarmed protestors. To date, no one has been held accountable for the large number of deaths. Some protestors are still imprisoned, sentenced on the basis of trials that did not meet international standards."<sup>20</sup>

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<sup>20</sup> U.S. Department of State. *United States Summarizes EU Arms Embargo against China*. International Information Programs, Washington, D.C. November 17, 2004, <http://usinfo.state.gov/eap/Archive/2004/Nov/18-585469.html> (accessed March 3, 2008).

In response the European Council, which is comprised of EU member states' heads of government or state, quickly issued the Madrid Declaration on June 27, 1989. This statement condemned the Chinese government's human rights violations and called for an EU embargo with the following language:

The European Council, recalling the declaration of the twelve of June 6, strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community. It solemnly requests the Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic rights.

In the present circumstances, the European Council thinks it necessary to adopt the following measures: ...interruption by the member states of the community of military cooperation and an embargo on trade in arms with China,<sup>21</sup>

Admittedly, the EU has recognized that its Madrid Declaration as a basis for the embargo has been essentially symbolic, not legally binding, and subject to vague interpretation and enforcement. Moreover, its ambiguous and minimal wording of "an embargo on trade in arms" has been narrowly interpreted by several EU member states to specify restrictions on "lethal" items only, while overlooking the broader non-lethal and dual-use military applications. Because of this, the EU also adopted the EU Code of Conduct on Arms Exports in 1998 and often refers to this measure as a "toolbox." According to an EU fact sheet,

Due to nature of the declaration, the scope of the embargo is not clearly defined. Thus different Member States interpret the embargo on sales of arms to China in different ways. In any case, in assessing applications for licenses to export military items not covered by the embargo, national authorities have to consider whether the export in question would be appropriate on the basis of the criteria laid down in the EU Code of Conduct on Arms exports.<sup>22</sup>

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<sup>21</sup> European Council. *EU Declaration on China*. Madrid, June 26-27, 1989, <http://www.sipri.org/contents/expcon/euchidec.html> (accessed March 3, 2008).

<sup>22</sup> European Union. *EU Fact Sheet on EU Arms and Dual Use Exports Policy and EU Embargo on China*. Brussels, [http://consilium.europa.eu/uedocs/cmsUpload/FACTSHEET\\_ON\\_THE\\_EU\\_AND\\_CHINA.pdf](http://consilium.europa.eu/uedocs/cmsUpload/FACTSHEET_ON_THE_EU_AND_CHINA.pdf) (accessed March 3, 2008).



However, the Code of Conduct, while more “clearly defined” than the Madrid Declaration, is voluntary in nature and also somewhat ambiguous a circumstance. The lack of clarity and enforcement capability has essentially left the member states the ability to determine for themselves the criteria by which to categorize exports and issue export licenses. The Code of Conduct does, however, increase common transparency of sales among EU member states. In the view of the U.S. Department of State, the Code of Conduct “has not deterred the sales of millions of euros of dangerous technology thus far.” Nevertheless, the EU has argued that a strengthened Code of Conduct could eventually replace the embargo entirely and be even more effective in its arms control capacity than either the embargo or the Code of Conduct have been to date. In response to this argument, the U.S. Department of State, while in support of a strengthened Code of Conduct, has called the suggestion to completely replace the embargo with it an “inadequate substitution.”<sup>23</sup> With regard to the Code of Conduct, Amnesty International has called it “weak,” “full of gaps,” and in need of “strengthened wording.” It further explained that “France, Germany, Italy, Sweden and the United Kingdom accounted for one third of the worldwide arms transfer agreements signed between 1994 and 2001.” Moreover, the addition of ten new EU member states on May 1, 2004 (“Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia”) brought the EU some new members responsible for “significant arms production and exporting activities.”<sup>24</sup>

In contrast to the EU, the United States put into place an embargo that was enacted as public law 101-246 and signed on February 16, 1990. This law was distinct from the EU embargo because it covered not only lethal items, which are based on the U.S. Munitions List, but also non-lethal and dual-use items considered to be sensitive.<sup>25</sup>

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<sup>23</sup> U.S. Department of State. *United States Summarizes EU Arms Embargo against China*. International Information Programs, Washington, D.C. November 17, 2004. <http://usinfo.state.gov/eap/Archive/2004/Nov/18-585469.html> (accessed March 3, 2008).

<sup>24</sup> Amnesty International. *Undermining Global Security: the European Union's Arms Exports*, May 2004, 1 and 4, <http://www.amnesty.org/en/library/asset/ACT30/009/2004/en/dom-ACT300092004en.pdf> (accessed May 5, 2008).

<sup>25</sup> Daniel Smith. “Twixt Profit and Principle: Arms for China,” *Foreign Policy in Focus*, International Relations Center, Washington, D.C., February 4, 2005, <http://www.fpiif.org/commentary/2005/0502china.html> (accessed March 1, 2008).

However, the president of the United States can waive this law in order to serve the interests of national security and if human rights improvements are made; under Presidents George H. W. Bush and William J. Clinton items on the U.S. Munitions List and satellite technology were in fact transferred to China.<sup>26</sup> According to the Government Accounting Office (GAO), since 1990 the United States has sold China \$350 million worth of items on the U.S. Munitions list, including avionics kits for F-8 aircraft, four Mk-48 mod 2 torpedoes for tests and evaluations, AN/TPQ-37 counter-battery artillery locating radars, and production assistance for a large caliber artillery plant.<sup>27</sup> Officially, the waivers stated that it was in the U.S. national interest to honor pre-1989 weapons agreements and “that these deliveries would not significantly contribute to China's military capability and closing these cases would improve the prospects for gaining further cooperation from China on nonproliferation issues.” This report also cites a waiver for commercial export licenses, which allowed for the sale of \$312.8 million in satellite and encryption items on the Munitions List.<sup>28</sup>

Because of U.S. weapons sales, many in the EU have viewed Washington's opposition to lifting the EU embargo as hypocritical. Nevertheless, the EU has continued to export weapons to China beyond pre-1989 agreements, totaling \$300 million in 2002 and \$540 million in 2003.<sup>29</sup> Other EU exports to China have included French SA-321 Super Frelon (Z-8) and AS-365 Dauphin-2 (Z-9) helicopters for anti-submarine and ground attack, the French Crotale and Italian Aspide (copied from the U.S. Sparrow)

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<sup>26</sup> Government Accountability Office. *China: U.S. and European Union Arms Sales Since the 1989 Embargoes*. GAO Report, statement of Harold J. Johnson, Associate Director, International Relations and Trade Issues, National Security and International Affairs Division, before the Joint Economic Committee, April 28, 1998 (GAO/T-NSAID-98-171).

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Daniel Smith. “Twixt Profit and Principle: Arms for China,” *Foreign Policy in Focus*, International Relations Center, Washington, D.C., February 4, 2005, <http://www.fpif.org/commentary/2005/0502china.html> (accessed March 1, 2008).

ship-to-air missile systems, British Searchwater Airborne Early Warning Radar, and British and Italian avionics and fire control systems for China's F-7.<sup>30</sup>

While American and EU weapons exports to the China have complicated the transatlantic embargo debate, it should be stated that 90 percent of weapons exports to China come from Russia and the Middle East.<sup>31</sup> Also complicating America's involvement in the embargo debate is the fact that its ally Israel has also supplied weapons to China. While Washington successfully pressured Israel to drop the sale of the Phalcon early warning radar system to China, Israel has still shared F-16 technology from its cancelled Lavi fighter program in order to help China develop its F-10 fighter; furthermore, some "U.S. observers contend Israel sold Patriot missile technology to China."<sup>32</sup>

## **F. THE IMPORTANCE OF THE EMBARGO**

### **1. American Regional Security Interests**

The alliances and defense commitments of the United States in East Asia remain a prominent focus of U.S. national security strategy. More specifically, the most prominent American security arrangements in Asia concern Japan, South Korea, and Taiwan. The National Security Strategy (NSS) of 2006 states,

The United States is a Pacific nation, with extensive interests throughout East and Southeast Asia. The region's stability and prosperity depend on our sustained engagement: maintaining robust partnerships supported by a forward defense posture supporting economic integration through expanded trade and investment and promoting democracy and human rights.<sup>33</sup>

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<sup>30</sup> Government Accountability Office. *China: U.S. and European Union Arms Sales Since the 1989 Embargoes*. GAO Report, statement of Harold J. Johnson, Associate Director, International Relations and Trade Issues, National Security and International Affairs Division, before the Joint Economic Committee, April 28, 1998 (GAO/T-NSAID-98-171).

<sup>31</sup> Ibid.

<sup>32</sup> Daniel Smith. "Twixt Profit and Principle: Arms for China," *Foreign Policy in Focus*, International Relations Center, Washington, D.C., February 4, 2005, <http://www.fpiif.org/commentary/2005/0502china.html> (accessed March 1, 2008).

<sup>33</sup> White House. *National Security Strategy of the United States of America*. March 2006, 40.

While the NSS encourages China's peaceful rise it also gives it a stern warning: "China's leaders must realize, however, that they cannot stay on this peaceful path while holding on to old ways of thinking and acting that exacerbate concerns throughout the region and the world. These old ways include: Continuing China's military expansion in a non-transparent way."<sup>34</sup> Clearly, Washington has become increasingly concerned that Beijing's massive yet obscure military spending has as its aim offsetting the regional military balance of power with the United States and Taiwan. China has traditionally greatly underreported and concealed its defense spending, but has acknowledged an increase in spending by 19.86 percent in 2007 and an additional 17.6 percent in 2008.<sup>35</sup> The NSS also expresses concern for about mounting trade imbalances, suggesting that domestic consumption in China should offset large-scale exports, and also expresses regret about the lack of progress in human rights issues.

## **2. Proliferation of Weapons Technology**

The Chinese have no doubt taken note of the surgical precision and overwhelming destructive capability of the American armed forces, particularly during the first Gulf War, the Kosovo conflict, and in the latest conflicts in Afghanistan and Iraq; in each of those engagements, Russian equipment similar to their own has proven to be outmoded, when compared with Western technology.<sup>36</sup> In addition, the way in which the United States forcefully deployed two carrier battle groups through the Taiwan Strait with impunity during the 1995-96 missile crisis also had a dramatic affect on the Chinese leadership. The lesson learned by the Chinese is that they must modernize their military forces to counter a high-technology threat and shift from the Soviet-style strategy of mass produced, low-technology equipment. Furthermore, another lesson learned is that only from a position of military strength will China be treated with due respect.

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<sup>34</sup> White House. *National Security Strategy of the United States of America*. March 2006, 40.

<sup>35</sup> Office of the Secretary of Defense. *Military Power of the People's Republic of China 2008*. Annual Report to Congress, 31. See also Mure Dickie. "China Raises Funds for Military by 17.6%." *Financial Times*, March 5, 2008.

<sup>36</sup> David C. Gompert, et al. *China on the Move, a Franco-American Analysis of Emerging Chinese Strategic Policies and their Consequences for Transatlantic Relations*. National Defense Research Institute (Santa Monica, CA: RAND Corporation 2005), 39.

While China's ability to project military power within the region remains restricted, the 2006 *Quadrennial Defense Review Report* states that it "has the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages."<sup>37</sup> China's lack of transparency on military matters has understandably caused concern in the United States, given the statement purportedly made by Deng Xiaoping: "*Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.*"<sup>38</sup> In addition, Washington has been mindful of China's frequent and illegal attempts to gain access to U.S. weapons and related technology, as evidenced by 400 investigations of such activity by China from 2000 to 2006.<sup>39</sup> Washington has also been wary of China's 2005 Anti-Secession Law, which claimed the right to use "non-peaceful means" if "secessionist forces...cause the fact of Taiwan's secession from China" or if "possibilities for peaceful reunification" fail.<sup>40</sup>

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<sup>37</sup> Office of the Secretary of Defense. *Military Power of the People's Republic of China 2008*. Annual Report to Congress, I.

<sup>38</sup> *Ibid.*, 8.

<sup>39</sup> *Ibid.*, 37.

<sup>40</sup> *Ibid.*, 41.

## **II. THE EU ARMS EMBARGO ON CHINA: ISSUES FOR U.S.-EU RELATIONS**

### **A. CENTRAL ELEMENTS**

Overall, this chapter seeks to answer how U.S.-EU relations since 2001 have been affected or changed by Chinese and European Union attempts to end the EU arms embargo in conjunction with pursuing a Sino-EU strategic partnership. EU motivations for ending the embargo raise further questions concerning security, human rights, and trade; but this study considers these other questions only insofar as each directly affects the status of the embargo and relations between Washington and Brussels.

American security interests would be negatively affected if the EU lifted its embargo. Such an action, without an adequate substitution to ensure the qualitative and quantitative control of weapons and dual-use technology from Europe to China, would alter the regional balances of power that currently exist in Asia. This action would essentially ignore the strategic implications of the potential flashpoint that exists over Taiwan. The economic interests that the EU has in lifting the embargo in terms of weapons sales, the export of dual-use technology, and the reduction of trade imbalances are enormous. However, statements and resolutions made by the U.S. Congress have been effective instruments of American pressure that have indeed affected EU decision-making concerning the embargo. Furthermore, the importance of human rights within the EU has risen, weakened the resolve to lift the embargo, and recast such attempts to do so as unprincipled. In 2005, U.S.-EU relations were strained by the American perception that attempts by EU governments to lift the embargo constituted evidence of counterbalancing by China and the EU against the United States. Since that time, a lack of EU consensus in lifting the embargo reaffirmed the value that the EU places in strong transatlantic relations. However, continued efforts to support lifting the embargo by some EU member states appear as shortsighted and unscrupulous efforts to obtain financial gains without considering long-term strategic implications.

## B. A CASE FOR FURTHER RESEARCH

The U.S.-EU debate about the embargo is largely symbolic of the character of recent tensions in the transatlantic relationship. Since 2005 the EU has been disappointed by China's lack of progress in ratifying the UN's 1976 International Covenant on Civil and Political Rights (as promised in 1998) and its "extensive use of the death penalty, re-education through labor, limits on freedom of expression, religion, and association, and the rights of ethnic minorities in places such as Tibet and Xinjiang."<sup>41</sup> In that respect, in March and April 2008 the well-publicized deaths of between 18 and up to more than 100 demonstrators (according to a broad range of published estimates), during China's suppression of Tibetan protests, have not helped the Chinese cause internationally. According to David Shambaugh's analysis of attempts to lift the embargo, "The manner in which the EU Commission and Council (mis)handled the arms embargo issue, creating an intra-European and transatlantic policy fiasco, only emboldened the critics of Brussels' China policy."<sup>42</sup> Lifting the EU arms embargo is still on the EU agenda, though little movement has been made to that end, because a full consensus among the EU must be achieved in order to do so.<sup>43</sup> During the most recent China-EU summit in November 2007, the issue was not substantively addressed. However, demands for its removal by individual EU member states remain prominent and quite vocal. Nevertheless, the EU is China's "largest supplier of equipment and technology"<sup>44</sup> even while the embargo remains in place. The embargo is in fact decidedly vague in its restrictive capacity. Because of American and Japanese pressure and human rights concerns within the EU,

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<sup>41</sup> Robin Niblett. "The United States, the European Union, and Lifting the Arms Embargo on China," *Euro-Focus*, vol. 10, no. 3, Center for Strategic and International Studies (CSIS), September 30, 2004, [http://www.csis.org/media/isis/pubs/eurofocus\\_v10n03.pdf](http://www.csis.org/media/isis/pubs/eurofocus_v10n03.pdf) (accessed February 11, 2008).

<sup>42</sup> David Shambaugh. "China-Europe Relations Get Complicated," *Brookings Northeast Commentary*, The Brookings Institution, May 2006, [http://www.brookings.edu/opinions/2007/05china\\_shambaugh.aspx](http://www.brookings.edu/opinions/2007/05china_shambaugh.aspx) (accessed January 28, 2008).

<sup>43</sup> Office of the Secretary of Defense. *Military Power of the People's Republic of China 2008*. Annual Report to Congress, 36.

<sup>44</sup> David Shambaugh. speech on "The European-China Engagement: Implications for the United States," as part of the Southeast Roundtable on Defense (SEROD), [http://www.cistp.gatech.edu/cistp/Shambaugh\\_Presentation\\_at\\_GT.pdf](http://www.cistp.gatech.edu/cistp/Shambaugh_Presentation_at_GT.pdf) (accessed January 27, 2008).

EU institutional actions regarding the embargo have amounted to little more than declarations of an intent to lift it at some unspecified future date.

Leaders also discussed the EU arms embargo. The Chinese side reiterated its view that lifting the arms embargo would be conducive to the sound development of the EU-China relations and urged the EU to lift the arms embargo at an early date. The EU side recognized the importance of this issue and confirmed its willingness to carry forward work towards lifting the embargo on the basis of the Joint Statement of the 2004 EU-China Summit and subsequent European Council Conclusions.<sup>45</sup> -*Joint Statement of the 10<sup>th</sup> EU-China Summit, Beijing, November 28, 2007.*

In no uncertain terms, President Bush has expressed “deep concern” to the EU over the proposal to lift the embargo and has stated that the transfer of military technology “would change the balance of relations between China and Taiwan.”<sup>46</sup> Furthermore, Senator Lugar, then the Chairman of the Committee on Foreign Relations, expressed concern in 2005 about the implications of lifting the embargo for transatlantic relations, but also stated, “if the quantity or quality of arms flowing to China from Europe rises markedly, we should reassess sales to Europe of our most critical military technology.”<sup>47</sup> The U.S. Senate has also called for the maintenance of the embargo and a strengthened Code of Conduct on European arms sales; in its current form, adherence to the Code of Conduct is purely voluntary. “Because many EU member states have narrowly interpreted the arms embargo as banning only lethal weapons, some EU countries have sold defense-related technology to China.”<sup>48</sup> Reinforcement via a strengthened Code of Conduct is therefore necessary to make the weapons embargo

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<sup>45</sup> European Union. *Joint Statement of the 10<sup>th</sup> EU-China Summit*, Beijing, November 28, 2007, [http://www.eu2007.pt/UE/vEN/Noticias\\_Documentos/20071202CHINA.htm](http://www.eu2007.pt/UE/vEN/Noticias_Documentos/20071202CHINA.htm) (accessed February 11, 2008).

<sup>46</sup> Elisabeth Bumiller. “Bush Says Europe Should Not Lift Its China Arms Embargo,” *New York Times*, February 23, 2005, <http://www.nytimes.com/2005/02/23/international/europe/23prexy.html> (accessed February 11, 2008).

<sup>47</sup> U.S. Congress. Senate. Committee on Foreign Relations. *The Lifting of the EU Arms Embargo on China*. Hearing before the One Hundred Ninth Congress, First Session, March 16, 2005, <http://bulk.resource.org/gpo.gov/hearings/109s/22886.pdf> (accessed January 27, 2008).

<sup>48</sup> Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 3.



effectual. Additionally, with uncommon bipartisanship in a vote of 411 to 3, the U.S. House of Representatives passed Resolution 57 and thereby resolved that the House of Representatives

...deplores the recent increase in arms sales by member states of the European Union (EU) to the People's Republic of China and the European Council's decision to finalize work toward lifting its arms embargo on China, actions that place European security policy in direct conflict with United States security interests and with the security interests of United States friends and allies in the Asia and Pacific region;

... [and] declares that such a development in European security policy is inherently inconsistent with the concept of mutual security interests that lies at the heart of United States laws for transatlantic defense cooperation at both the governmental and industrial levels and would necessitate limitations and constraints in these relationships that would be unwelcome on both sides of the Atlantic;<sup>49</sup>

### **C. THE POLITICAL SYSTEM OF THE EUROPEAN UNION**

The EU was designed to be a “political system not a state” in the traditional sense. This is to say that in terms of power and decision-making it relies on the willing consensus of its members rather than a Weberian-model of a “monopoly on the legitimate use of coercion.”<sup>50</sup> The manner and process in which the EU makes policy decisions is quite complex and time-consuming. However, in general terms, it is helpful to understand the basic institutional structures. The European Commission is the EU's executive arm, responsible for drafting new policy proposals. It is composed of 27 Commissioners, which represent each member state and are appointed by the European Council. The European Parliament (EP) is the legislative arm of the EU and directly represents the people of the EU because the MEPs are the only officials who are directly elected to serve in the EU. Elections are held every five years and determine the

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<sup>49</sup> U.S. Congress. House. *Urging the European Union to Maintain its Arms Embargo on the People's Republic of China*, One Hundred Ninth Congress, First Session, H. Res. 57, February 2, 2005, <http://thomas.loc.gov/cgi-bin/query/D?c109:1:./temp/~c109pOlPJN::> (accessed February 11, 2008).

<sup>50</sup> A quotation from the author in his paraphrasing of Max Weber, which he is using to contrast with a description of the EU political system, Simon Hix. *The Political System of the European Union* (New York, NY: Palgrave MacMillan, 2005), 4.

composition of the 785-member Parliament. The Parliament provides “democratic supervision” over EU institutions, but laws are often passed through “codecision” with the European Council, or through consultation or cooperation.<sup>51</sup> The EP’s legislative power is quite limited and its real power rests through controlling the budget and to some degree through its power to censure the Commission. The European Court of Justice (ECJ) holds judicial authority, though it has “restricted” powers of judicial review.<sup>52</sup> In contrast with all other EU institutions, the vast majority of power (executive and legislative) rests with the European Council. It is composed of Ministers from each member state and directly represents each as a respective head of government. As such, each is therefore fully “empowered to commit his or her government.” Although a single Council Minister represents each member state, his or her vote is weighted according to respective domestic population size. The key responsibilities of the Council include:

To pass European laws – jointly with the European Parliament in many policy areas.

To co-ordinate the broad economic policies of the member states.

To conclude international agreements between the EU and other countries or international organizations.

To approve the EU’s budget, jointly with the European Parliament.

To develop the EU’s Common Foreign and Security Policy (CFSP), based on guidelines set by the European Council.

To co-ordinate co-operation between the national courts and police forces in criminal matters.<sup>53</sup>

With regard to relations with China and the status of the arms embargo, the Council holds the most power and relevance, particularly because it determines economic

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<sup>51</sup> Simon Hix. *The Political System of the European Union* (New York, NY: Palgrave MacMillan, 2005), 76.

<sup>52</sup> Ibid., 8.

<sup>53</sup> European Union. “The Council of the European Union.” *Europa, European Union Institutions and Other Bodies*, [http://europa.eu/institutions/inst/council/index\\_en.htm](http://europa.eu/institutions/inst/council/index_en.htm) (accessed May 7, 2008).

policies and international agreements. “The Council undertakes both executive and legislative functions: it sets the medium and long-term agenda, and is the dominant chamber in the EU legislative process.”<sup>54</sup>

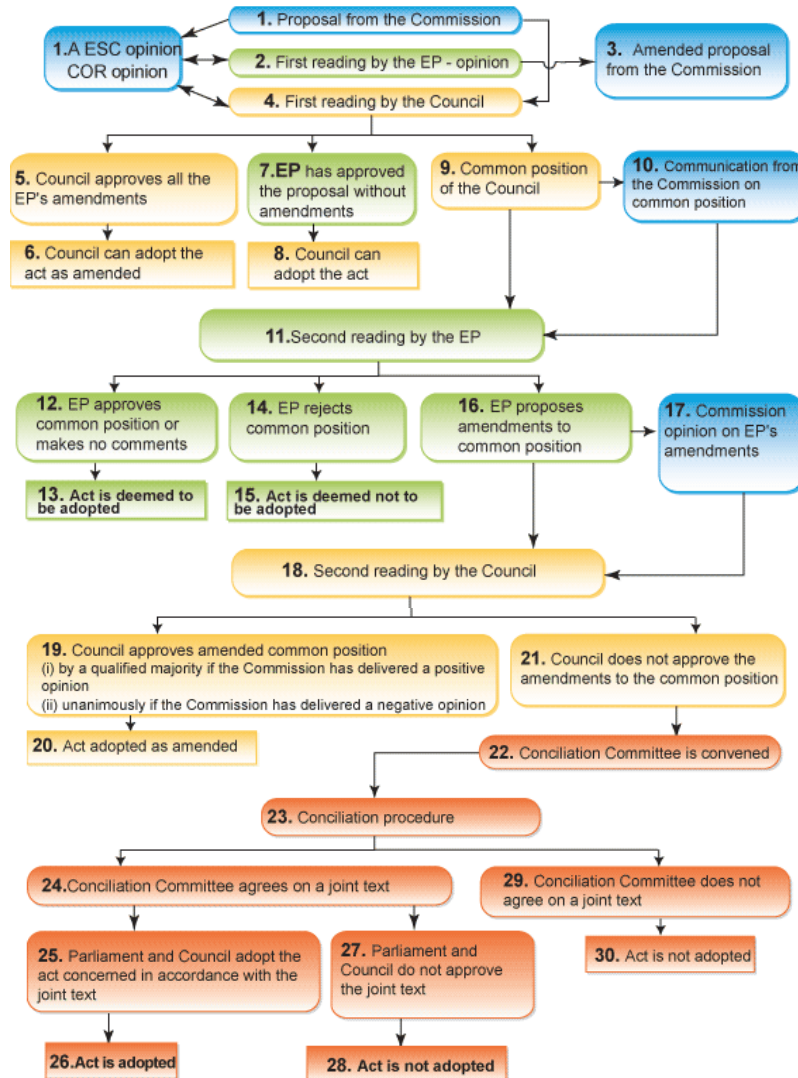


Figure 2. EU Codecision Diagram, showing proposal and approval processes and more importantly the comparative power of the Council<sup>55</sup>

<sup>54</sup> Simon Hix. *The Political System of the European Union* (New York, NY: Palgrave MacMillan, 2005), 7.

<sup>55</sup> European Union. “Codecision.” *Europa*, [http://ec.europa.eu/codecision/stepbystep/diagram\\_en.htm](http://ec.europa.eu/codecision/stepbystep/diagram_en.htm) (accessed May 7, 2008).

## **D. ISSUES WEAKENING THE EMBARGO: COMMERCIAL AND POLITICAL INCENTIVES**

### **1. A Strategic Partnership among Equals**

China has openly proclaimed its desire to be treated and respected as an equal as well as its commitment to the principles of noninterference in internal affairs. Many observers of the Sino-EU partnership have suggested that China views the EU as a critical “counterweight” to the United States and a means to develop a “multipolar alternative to a U.S.-centric unipolar world.”<sup>56</sup> In fact, the second sentence in China’s 2003 *EU Policy Paper* mentions a “world trend toward multipolarity.”<sup>57</sup> However, EU and Chinese think-tanks have countered that the term “strategic” in this particular partnership goes beyond a traditional military connotation, and instead is intended to “encompass a comprehensive partnership including economic and trade relations, civil society exchanges, political relations, etc.” Additionally, these institutions have downplayed the intent to counterbalance the United States, by recognizing the importance of a close transatlantic relationship.<sup>58</sup> China and some EU members (France in particular) have often called for outright multipolarity or a multipolar world through a rise in influence of both the EU and China within the international system. In this regard, Chinese scholars have recognized similar desires for multipolarity in Europe and in China:

Expressed on many occasions by President Chirac, France is in favor of a multipolar world, because it would be ‘dangerous’ if the world were to be dominated by only one power. Former German Chancellor Schmidt also said that ‘the Europeans cannot give in’ to the imperial policy promoted

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<sup>56</sup> David C. Gompert, et al. *China on the Move, a Franco-American Analysis of Emerging Chinese Strategic Policies and their Consequences for Transatlantic Relations*. National Defense Research Institute (Santa Monica, CA: RAND Corporation, 2005), 46.

<sup>57</sup> Ministry of Foreign Affairs of the People’s Republic of China. *China’s EU Policy Paper*, October 2003, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

<sup>58</sup> European Policy Centre and the China Institute of International Studies (CIIS). *EU-China Relations Think Tank Roundtable*, 2006 Event report, [www.epc.eu](http://www.epc.eu) (accessed January 9, 2008).

by the USA. In words of Zhengde Huo, ‘there exists a structural conflict between the rise of Europe and the efforts of the US to maintain a unipolar world’.<sup>59</sup>

Although striving for multipolarity is admittedly in “conflict” with the preeminence of American power and many in Washington recognize it as such, both the EU and China continue to emphasize the need for strong ties with the United States and have been actively pursuing improvements in bilateral relations with Washington.<sup>60</sup> Although somewhat perplexing from an American perspective, from a Sino-EU perspective, seeking multipolarity while maintaining strong ties with the United States is not at all a contradiction, but an improvement upon the current triangular relationship. In 2003 at the Fifth Asia-Europe Meeting (ASEM), Chinese Foreign Minister Li Zhaoxing formally addressed his colleagues with the words “Both being major international forces making for world multipolarization, Asia and Europe share broad consensus on many important world issues.”<sup>61</sup> At a June 2007 meeting with Nicolas Sarkozy, Hu Jintao said that France and China “uphold and are committed to promoting world multipolarity and maintaining diversity of civilizations.”<sup>62</sup> In a January 2008 speech to the Diplomatic Corps, Nicolas Sarkozy expressed his positive interpretation of contemporary multipolarity with regard to the EU and China,

We have left behind us the simple certainties of the bipolar world, stable but unjust, that imposed its law on us between 1945 and 1990. We are no longer even in the unipolar world that began to emerge between 1991 and 2001. Words that rang true just a few years ago, such as “hyper-power,” no longer apply today. For the next three or four decades, probably, we have entered an era of relative power. The economic and political emergence of China, India and Brazil, and Russia’s return, are creating objective conditions for a new concert of the great powers, of a multipolar

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<sup>59</sup> Jing Men. “Chinese Perceptions of the European Union: A Review of Leading Chinese Journals,” *European Law Journal*, vol. 12, no. 6 (November 2006): 798.

<sup>60</sup> *Ibid.*, 790.

<sup>61</sup> Ministry of Foreign Affairs of the People’s Republic of China. *Intervention by Chinese Foreign Minister Li Zhaoxing at the Fifth ASEM Foreign Ministers’ Meeting*, speech by the Minister, Bali, July 24, 2003, <http://www.fmprc.gov.cn/eng/wjb/wjbz/2461/t22669.htm> (accessed May 7, 2007).

<sup>62</sup> Ministry of Foreign Affairs of the People’s Republic of China. *Chinese President Hu Jintao Meets with His French Counterpart Sarkozy*, official news release, June 9, 2007, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

world in which the European Union could progressively come to be one of the most active poles, if it has the will to do so.<sup>63</sup>

## **2. EU Trade Imbalances**

The EU has a strong economic interest in lifting the embargo. In particular, France, Germany, the UK, and Italy have strong economic interests in broadening sales in defense markets to China. Mounting trade imbalances in China's favor have strained the Sino-EU relationship recently, especially in Spain and Italy, which have been most threatened by low-cost Chinese imports in textiles. From this perspective, lifting the embargo would benefit both China and the EU, because doing so would help to alleviate trade imbalances; the Chinese have not surprisingly often been quick to suggest this as a means to ease concerns over trade.

## **E. ISSUES PERPETUATING THE EMBARGO: POLITICAL PRESSURE**

### **1. American Pressure on the EU**

The Chinese have recognized that a significant "gap" exists between EU and U.S. China policies. Additionally, the Chinese believe that "interference" on the part of the United States has "complicated" an otherwise improving Sino-EU relationship as well as efforts to lift the embargo.<sup>64</sup> Certainly, the EU underestimated the magnitude of American resistance to lifting the EU embargo, but American pressure alone did not halt the efforts. While most EU leaders predicted that the embargo would be lifted in early 2005, it was most likely American and Japanese influence that raised awareness and increased debate among EU members. Though a healthy transatlantic relationship is quite important among EU members, rising concerns about trade imbalances, an undervalued Chinese currency, security concerns in the Taiwan Strait, and a lack of improvements in human rights all helped to stall diplomatic efforts to lift the embargo.

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<sup>63</sup> Nicolas Sarkozy. "Speech to the Diplomatic Corps on the occasion of the New Year," Elysée Palace, January 18, 2008, [http://www.elysee.fr/documents/index.php?mode=cview&cat\\_id=7&press\\_id=909&lang=fr](http://www.elysee.fr/documents/index.php?mode=cview&cat_id=7&press_id=909&lang=fr) (accessed April 18, 2005).

<sup>64</sup> Jing Men. "Chinese Perceptions of the European Union: A Review of Leading Chinese Journals," *European Law Journal*, vol. 12, no. 6 (November 2006): 804.

## 2. Strong Adherence to Human Rights Principles within the EU

Chinese sources have acknowledged that American and EU views on the promotion of human rights are largely similar based on the 2005 *Joint Statement by the European Union and the United States: Working Together to Promote Democracy and Support Freedom, the Rule of Law and Human Rights Worldwide*. The Chinese also hold that Brussels and Washington “make irresponsible remarks on China’s human rights issues and legal system construction.”<sup>65</sup> Nevertheless, it is pertinent to note that this joint EU-U.S. declaration was made on June 20, 2005, which was not long after the promulgation of China’s March 2005 Anti-Secession Law as well as the EU decision to delay lifting the embargo. It is also noteworthy that the common transatlantic partnership within NATO was invoked in this joint EU-U.S. statement.

Democracy is not just a matter of elections; it must be anchored in democratic institutions, separation of powers, human rights, the rule of law, tolerance, good governance, and justice. Our assistance to third countries increasingly takes into account the need to sustain democracy in all these dimensions. We have worked closely to create a Europe whole, free, and at peace; both the EU and NATO have played an important part in this, and continue to do so.<sup>66</sup>

## F. CHAPTER CONCLUSION

In summary, each political entity has learned effective approaches in dealing with others. Since difficulties in lifting the embargo arose, Beijing has realized that the EU does not speak with one “voice.” Instead, good relationships must be forged with individual member states bilaterally before realizing tangible improvements in the

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<sup>65</sup> Qiu Huafei. “The Development Trend in Sino-US Strategic Relations in the New Century,” Shanghai *Shehui Kexue* in Chinese, February 20, 2006, 18-26. Open Source Center, “PRC Journal Views Sino-US Strategic Relations,” [https://www.opensource.gov/portal/server.pt/gateway/PTARGS\\_0\\_0\\_246\\_203\\_0\\_43/http%3B/apps.opensource.gov%3B7011/opensource.gov/content/Display/5993566?highlightQuery=eJzTCAhyVnD0clHwyi8tykvMABPDMIPLi8Gs4My8%2FBjd0GAlp6QosSQ1PTMZzAtKzUksyczPK1ZlZEtRCMIIBYu6pJal5uQX5KbmlYD5IUWpQFkQKzOPeBOR1JdADfZLLQfTzkCTS4sqNQFAizqW&fileSize=613805](https://www.opensource.gov/portal/server.pt/gateway/PTARGS_0_0_246_203_0_43/http%3B/apps.opensource.gov%3B7011/opensource.gov/content/Display/5993566?highlightQuery=eJzTCAhyVnD0clHwyi8tykvMABPDMIPLi8Gs4My8%2FBjd0GAlp6QosSQ1PTMZzAtKzUksyczPK1ZlZEtRCMIIBYu6pJal5uQX5KbmlYD5IUWpQFkQKzOPeBOR1JdADfZLLQfTzkCTS4sqNQFAizqW&fileSize=613805), (accessed December 10, 2007).

<sup>66</sup> White House. *Joint Statement by the European Union and the United States Working Together to Promote Democracy and Support Freedom, the Rule of Law and Human Rights Worldwide*, June 20, 2005, <http://www.whitehouse.gov/news/releases/2005/06/20050620-4.html> (accessed March 7, 2008).

relationship with the EU as a whole.<sup>67</sup> Equally important, a strengthened China-EU partnership must not come at the expense of a weakened EU-U.S. relationship. In other words, Beijing has learned that it is more effective to promote trade and investment relationships on a bilateral basis with member states, while pursuing trade policy concerns on a multilateral basis with the EU.<sup>68</sup> EU leaders have recognized that increased trade with China has become problematic and appear to be withholding full diplomatic force in lifting the embargo until tangible improvements in human rights have been made by China. Additionally, Brussels has recognized that Washington wishes to see a strengthened Code of Conduct but appears to be withholding that as a concession to Washington in return for Washington's eventual support in lifting the embargo. Washington has learned that lack of progress in China on human rights as well as Beijing's willingness to use force on Taiwan have been effective and divisive issues in splitting EU member states with regard to lifting the embargo.

Clearly, Washington perceives that the lifting of the EU arms embargo would negatively impact the regional balances of power. EU defense industries would have much to gain from lucrative sales to China and both China and EU would benefit from better trade relations by way of diminished trade surpluses favoring China. Pressure from Washington on the EU has been particularly effective given the strong historic ties within the transatlantic relationship. Since 2005, Washington's concerns over the embargo have largely diminished given the apparent lack of consensus within the EU and heightened awareness on human rights matters concerning China. Furthermore, current EU leaders are keen on maintaining positive relations with Washington, while increasingly less optimistic concerning expectations of China.

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<sup>67</sup> Jing Men. "Chinese Perceptions of the European Union: A Review of Leading Chinese Journals," *European Law Journal*, vol. 12, no. 6 (November 2006): 790.

<sup>68</sup> Stanley Crossick, et al. "EU-China Relations – Towards a Strategic Partnership." *EPC Working Paper*, European Policy Centre, July 2005, <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=13588> (accessed May 2, 2008).



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### III. THE EU ARMS EMBARGO ON CHINA: ISSUES FOR CHINA-EU RELATIONS

European Union leaders are facing difficult decisions on an appropriate policy toward China. The large and rapidly growing Chinese economy, mounting trade imbalances in China's favor and domestic perceptions of an undervalued Renminbi have caused strong apprehension among policymakers who have searched for suitable policies. However, China's massive markets also offer enormous potential gain for European Union corporations, and are much too large and lucrative to be ignored or isolated. Further complicating the pursuit of a satisfactory relationship with China has been a lack of Chinese political reform, in conjunction with China's involvement in weapons proliferation, and human rights abuses. The implications for the European Union's interests in China's rise mired in security issues, human rights, and trade concerns. A central issue—and sticking point—in the Sino-European Union relationship has been the EU arms embargo. Although many EU member governments have called for lifting the embargo, their efforts to lift it have currently stalled largely because of a moral desire to gain improvements in China's respect for human rights prior to lifting the embargo rather than just lifting it without any political improvements. Certainly, individual EU states have gained lucrative Chinese contracts after official visits in which they made bilateral calls for ending the embargo, but the EU collectively has not ended the embargo. Furthermore, the Chinese view the embargo as a relic of the Cold War and an impediment to China's recognition as an equal partner.<sup>69</sup> Officially, the EU has summarized its "China Policy" with the following statements:

To engage China further, both bilaterally and on the world stage, through an upgraded political dialogue;

To support China's transition to an open society based upon the rule of law and respect for human rights;

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<sup>69</sup> U.S. Congress. Senate. Committee on Foreign Relations. *The Lifting of the EU Arms Embargo on China*. Hearing before the One Hundred Ninth Congress, First Session, March 16, 2005, <http://bulk.resource.org/gpo.gov/hearings/109s/22886.pdf> (accessed January 27, 2008).

To encourage the integration of China in the world economy by bringing it fully into the world trading system, and supporting the process of economic and social reform that is continuing in China and;

To raise the EU's profile in China.<sup>70</sup>

Similarly, China has summarized its "EU policy" with these statements:

China attaches importance to the role and influence of the EU in regional and international affairs. History proves that the establishment of diplomatic relations between China and the European Economic Community in 1975 has served the interests of both sides. Despite their twists and turns, China-EU relations as a whole have been growing stronger and more mature and are now on the track of a comprehensive and sound development.

There is no fundamental conflict of interest between China and the EU and neither side poses a threat to the other. However, given their differences in historical background, cultural heritage, political system and economic development level, it is natural that the two sides have different views or even disagree on some issues. Nevertheless, China-EU relations of mutual trust and mutual benefit cannot and will not be affected if the two sides address their disagreements in a spirit of equality and mutual respect.<sup>71</sup>

## **A. CENTRAL ELEMENTS**

Overall, this chapter seeks to answer how Chinese-EU relations since 2001 have been affected by attempts to end the EU arms embargo in conjunction with pursuing a strategic partnership. In lifting the EU arms embargo, further questions concerning security, human rights, and trade arise, but this study considers these other questions only insofar as each directly affects the status of the embargo and relations between Beijing and Brussels.

In the context of the embargo debates, Chinese officials have denied the need for weapons imports from the EU. However, it is readily apparent from the observation of

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<sup>70</sup> European Union. *The EU's China Policy*, [http://www.delchn.ec.europa.eu/euan\\_euan1.htm](http://www.delchn.ec.europa.eu/euan_euan1.htm) (accessed May 5, 2008).

<sup>71</sup> Ministry of Foreign Affairs of the People's Republic of China. *China's EU Policy Paper*, October 2003, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

PLA modernization programs that this is clearly not the case. PLA reforms plainly indicate the trend toward restructuring and acquisition of high technology military hardware and dual-use items. Concurrently, EU defense industries have some of the world's finest and modern technologies that would enable China to fight and defend against future high-technology adversaries. Furthermore, military sales from Europe would help to lessen the trade imbalances that EU officials have referred to as unsustainable. More importantly for the Chinese, the embargo remains an impediment in China's quest to be a respected partner in a normalized relationship with the EU.

China's ratification of the 2005 Anti-Secession law and its failure to address human rights concerns by ratifying the UN International Convention on Civil and Political Rights, as promised in 1998, have been critical factors in perpetuating the embargo. Furthermore, the continued imprisonment of Tiananmen Square protesters has sustained human rights as a vivid concern in the European Union. Ironically, the original intent of the proclaimed EU-China strategic partnership and efforts to lift the embargo were meant to strengthen EU-China ties. However, as an unintended consequence, stalled efforts to lift the embargo have instead strained relations and prevented the realization of a true strategic partnership. As evidence, when comparing the annual EU-China summits of 2003 and 2004 to subsequent summits, the strained relationships are unmistakable in less friendly tones, repeated requests for reforms, and lowered expectations for ensuing outcomes. As a result, the Sino-EU debate about the embargo is largely symbolic of the character of recent tensions and the stalled realization of a meaningful strategic partnership.

## **B. CHINA-EU TRADE RELATIONS**

On March 2007, world headlines reported that in 2006 China displaced the United States as the single, largest source of exports to the European Union. In other words, China and Europe have now become each other's largest trading partners and have moved much closer together since the adoption of annual EU-China summits in 1998. Since that time, imports from China to the European Union rose 21 percent, while imports from the United States rose by only eight percent, despite a weakening U.S.

dollar.<sup>72</sup> Similarly, EU exports to China rose by 23 percent, despite a strengthening Euro and worries about “export competitiveness.”<sup>73</sup> Currently, the growth of Chinese imports into the EU is attributed to such things as mechanical and electrical machinery. To the dismay of many Europeans, the trend has indicated that the ‘value curve’ on imports has become higher because of high-technology imports. In other words, Europe has benefited by the importation of low cost items, but because of increases in technology, the Chinese will become more competitive within European business sectors. Additionally, Chinese and European discussions of developing a “strategic partnership,” striving toward “multipolarity,” and ending the EU arms embargo, have caused some alarm in the United States particularly since 2004. The strategy of the PRC has been to grow economically and militarily, in order to counter efforts by the hegemonic United States to contain it. As such, the intent of the PRC government has been “to improve economic ties and acquire advanced technology from other leading nations of the world,” which most notably are located in Europe.<sup>74</sup>

While increased ties in economic and trade related issues have caused Beijing and Brussels to move closer together, in many ways their relationship has recently become more challenging due to unresolved issues such as trade deficits in China’s favor, accusations of dumping practices, and the EU arms embargo. The resilience of the arms embargo is due in large measure to unresolved human rights issues. Although the sale of weapons and high technology dual-use items would certainly benefit both European defense industries and the PLA, the impasse in negotiations to lift the ban not only reflects the high value Europeans place on human rights, but also with a strong relationship with the United States. Although actively debated, the ban remains symbolic of an EU-China political-economic relationship that has gained strength, been strained, and yet has tremendous unrealized potential for mutual benefit.

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<sup>72</sup> Ralph Atkins. “China Replaces US as Biggest Source of Exports to EU.” *Financial Times*, March 23, 2007.

<sup>73</sup> Ibid.

<sup>74</sup> Nicola Casarini. “The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership.” *Occasional Paper*, no. 64, Paris: The European Union Institute for Security Studies (October 2006), 13, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

## 1. Important EU Trading Partners with China

Since China's reform under Deng Xiaoping in 1978, trade between Europe and China has increased forty times the original amount. While China has rapidly dominated European markets in textiles and the production of clothing, the EU has become "the largest foreign supplier of technology and equipment to China, and one of the top foreign direct investors in China."<sup>75</sup> According to the latest statistics from the World Bank, the CIA, and the WTO, in world standings, China ranks fourth in GDP, second in PPP-GDP, and third in trade, exports, imports, and FDI.<sup>76</sup> Additionally, its population of 1.3 billion people and economic growth rate of 9.9 percent make it impossible to ignore. The allure of China's purchasing power has created political inroads as well. For example, after Prime Minister Wen Jiabao visited France in December 2005, contracts were signed for "150 A320 Airbuses (worth 9 billion euros), a telecommunications satellite from Alcatel (worth 140 million), an agreement with Eurocopter for the joint development of helicopters (worth 300 million), and a financial protocol for the construction of high-speed rail systems (worth 150 million)." Similarly, in November 2005, President Hu Jintao visited Germany and agreed to purchase "60 trans-rapid trains (worth two billion)."<sup>77</sup> France, Germany, and the United Kingdom have pursued contracts with China by using large-scale contracts and heads of state to facilitate the dialogue. In contrast, other states such as Italy and Spain have secured business contracts at lower, individual levels.<sup>78</sup>

## 2. Mounting Tensions

According to EU statistics, between 1980 to 2003 trade from China to the EU increased on average by 18 percent annually, while trade from the EU to China increased

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<sup>75</sup> David Shambaugh. "China and Europe: The Emerging Axis" *Current History*, vol. 103, iss. 674 (Sept 2004): 243.

<sup>76</sup> National Chengchi University. *China Economic Databases, China Standing in the World Economy*. Taipei, Taiwan, <http://ics.nccu.edu.tw/eced/standing.html> (accessed September 20, 2007).

<sup>77</sup> Nicola Casarini. "The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership." *Occasional Paper*, no. 64, Paris: The European Union Institute for Security Studies (October 2006), 18, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

<sup>78</sup> Ibid.

by 13 percent.<sup>79</sup> Economists have predicted that exports from China will continue to grow at double digits and the “trade deficit will continue to widen, especially if the Euro keeps rising against the Renminbi. China, in turn, will continue gaining market shares in both textiles and electronics.”<sup>80</sup> It should be noted that China has had reciprocal criticisms of the EU particularly after faltered trade negotiations. For example, after the World Trade Organization Doha talks in March 2007, China’s commerce minister Bo Xilai responded to European complaints by saying that the EU impeded negotiations and has yet “to make substantial concessions on high import tariffs on farm products, export subsidies for agriculture, and the huge domestic support for their agricultural products.”<sup>81</sup> Quite often, the Chinese response to criticisms ranging from environmental concerns to currency valuations is that China is a ‘developing nation’ and has done more than should be expected of it. However, in response to international pressures, in July 2005 China reversed a policy of fixing the Renminbi to the dollar and allowed it to increase by 2.1 percent initially and then a “managed float” of .3 and later .5 percent per day in May 2007.<sup>82</sup> China’s large trade surplus with the United States, the EU, and Hong Kong is often well publicized; however, China runs large trade deficits with Taiwan, South Korea, Japan, and ASEAN as well.<sup>83</sup> Nevertheless, tensions in Europe and those most affected, France and Germany, have raised dramatically because of rapid trade surpluses in China’s favor.

In July 2007, it was reported that Nicolas Sarkozy said he had a “problem” with the valuation of the Renminbi and pushed “for a more assertive European Union exchange-rate policy toward China this autumn to try to shore up ailing exporters hit by

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<sup>79</sup> European Union. *China Fact Sheet*, 2004, [http://ec.europa.eu/external\\_relations/china/intro/fact.pdf](http://ec.europa.eu/external_relations/china/intro/fact.pdf) (accessed May 5, 2008).

<sup>80</sup> Katinka Barysch. “Embracing the Dragon: Can the EU and China be Friends?” vol. 6, iss. 3 *CESifo Forum*, Munich, (Autumn 2005): 8.

<sup>81</sup> Richard McGregor. “China Blames WTO Blockage on US and EU,” *Financial Times*, March 12, 2007.

<sup>82</sup> Daniella Markheim. “China’s: Yuan Manipulated, Misaligned, or Just Misunderstood?” *Heritage Web Memo*, no. 1608, September 11, 2007, <http://www.heritage.org/Research/AsiaandthePacific/wm1608.cfm> (accessed September 20, 2007).

<sup>83</sup> Wayne M. Morrison. *China’s Economic Conditions*. RL 33534 (Washington, D.C.: Congressional Research Service, Library of Congress, July 13, 2007), 11-12.

the strong euro.”<sup>84</sup> However, EU monetary officials have urged a softer rhetoric, saying “We have to convince them [China] of the responsibility they bear in the international monetary framework, but there is no way you can pressure them.”<sup>85</sup> Mr. Sarkozy’s tough stance on China has had some similarity with American positions, but overall are not inline with the less assertive EU. By comparison, the United States House and Senate have “introduced legislation aimed at punishing China for unfair manipulation of its currency,” which they argue has led to a \$232.5 billion trade deficit and “the loss of American manufacturing jobs.”<sup>86</sup>

From the Chinese perspective, achieving Market Economy Status (MES) from the EU is a vital issue. Immediately following China’s 2001 entry into the WTO, it was relegated to a non-market economy status for a period of fifteen years. For China, “political prestige” and recognition “as an equal partner with the EU” is of vital importance particularly since Russia was granted MES even though it had neither joined the WTO nor liberalized its economy.<sup>87</sup> Ironically, the fact that the EU expanded membership in the former eastern bloc has in many ways “obscured the impact of China’s rise” because cheap labor and outsourcing complaints has been directed toward the eastern members of the EU.<sup>88</sup>

### **3. Protectionist Sentiments**

The debate within the EU concerning China’s status as an economic ‘threat’ or ‘opportunity,’ has deepened. Considering the broad economic diversity and comparative advantages within the EU, trade with an emerging China has been a mixture of economic

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<sup>84</sup> George Parkerin and Mark Schieritz, “Sarkozy Pushing for Tougher Line on China,” *Financial Times*, July 23, 2007.

<sup>85</sup> Ibid.

<sup>86</sup> Daniella Markheim. “China’s: Yuan Manipulated, Misaligned, or Just Misunderstood?” *Heritage Web Memo*, no. 1608, September 11, 2007, <http://www.heritage.org/Research/AsiaandthePacific/wm1608.cfm> (accessed September 20, 2007).

<sup>87</sup> Nicola Casarini. “The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership.” *Occasional Paper*, no. 64, Paris: The European Institute for Security Studies (October 2006), 16, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

<sup>88</sup> Katinka Barysch. “Embracing the Dragon: Can the EU and China be Friends?” vol. 6, iss. 3 *CESifo Forum*, Munich, (Autumn 2005): 14.



benefits and relative costs. In January 2005, a Multi-Fiber Agreement (MFA) on Chinese textiles removed EU tariffs and quotas, but was “partly reintroduced in July 2005 following protectionist protests across Europe” particularly in France and Italy.<sup>89</sup> In June 2007, the EU trade commissioner, Peter Mandelson, claimed the current increase of 75 percent in the trade surplus was “unsustainable” and said he would “demand action” from China’s commerce minister, Bo Xilai.<sup>90</sup> Mr. Mandelson complained that the Chinese have unfairly protected their domestic services by prohibiting foreign competition, done little to combat piracy, overproduced and dumped steel on the market, and undervalued their currency, while doing little to remove the generous incentives on exportation.<sup>91</sup> He went further by warning that “mounting protectionist pressures” were building in the steel and textile markets in Europe and that China and the EU were at a “crossroads,” which may require action from the WTO including “anti-dumping tariffs.”<sup>92</sup> Certainly, the Chinese could make counter-criticisms of the EU in particular by calling attention to the fact that on September 20, 2007 the Organization for Economic Co-operation and Development (OECD) criticized the EU, particularly France, Germany, and Spain, for “trade and investment protectionism” and limiting the realization of a single market, competition, and increased standards of living.<sup>93</sup>

#### **4. Domestic Political and Economic Concerns in China and Europe**

Currently, China faces an inflationary crisis that has put political and economic concerns in opposition. Its economy has faced serious inflationary pressures and rising prices. However, the government has been somewhat reluctant to raise interest rates because “past steps to control inflation caused social protests and deadly unrest.”<sup>94</sup>

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<sup>89</sup> Nicola Casarini. “The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership.” *Occasional Paper*, no. 64, Paris: The European Institute for Security Studies (October 2006), 16, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

<sup>90</sup> Richard McGregor. “EU Warns China’s Trade Surplus is ‘Unsustainable’,” *Financial Times*, June 11, 2007.

<sup>91</sup> *Ibid.*

<sup>92</sup> *Ibid.*

<sup>93</sup> John Thornhill. “OECD hits at protectionist Europe,” *Financial Times*, September 20, 2007.

<sup>94</sup> Albert Keidel. “China’s Looming Crisis – Inflation Returns,” *Carnegie Endowment for International Peace*, Policy Brief 54, September 2007, 1.

Because of “heightened international sensitivity,” the 2008 Olympics, severe criticism from the United States and the EU, and a potentially embittered populace, Beijing’s political leadership faces difficult decisions.<sup>95</sup> In July 2007, food prices rose by 15 percent and pork prices rose by 90 percent.<sup>96</sup> Adding to inflationary pressures, are worldwide surges in grain prices and most recently a Chinese ban on the importation of American pork, ironically for containing banned additives. On September 19, 2007, the PRC responded to the decade-high interest rates of 6.5 percent in August, by instituting price freezes on all government controlled items. The response was tied in many ways to popular dissatisfaction with inflation and also to the selection of new Communist party members in October 2007.<sup>97</sup>

In Europe, blaming trade surpluses on China has been counterproductive and not all together fair. First, an undervalued yuan has actually increased the standards of living in Europe, as it has in the United States; penalizing the Chinese would only serve to raise the cost of items in Europe with the protection of relatively few jobs in comparison. Second, Europe’s problems are largely independent of trade relationships with China. The EU has already admitted to failing to meet targets of full employment and 3 percent growth between 2000 and 2010 because of an “economic malaise,” “social turmoil” including riots, poor growth, powerful labor interests, low public confidence, problems with a strong unified currency, and governments that “continue to dogmatically defend the European social model against global competition.”<sup>98</sup>

In December 2006, the European Council ratified a Communication to Beijing with a long list of “requests” that many analysts have judged to be quite stern and may signal a new phase in the EU-China relationship; a “honeymoon” has now become a “marriage.” The list requests that China: “open its markets and ensure fair market

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<sup>95</sup> Albert Keidel. “China’s Looming Crisis – Inflation Returns,” *Carnegie Endowment for International Peace*, Policy Brief 54, September 2007, 1.

<sup>96</sup> *Ibid.*, 2.

<sup>97</sup> Richard McGregor. “Beijing Imposes Price Freeze,” *Financial Times*, September 19, 2007.

<sup>98</sup> Sally McNamara. “Is Europe Doomed to Economic Stagflation?” *Heritage Lectures*, no. 1040, August 23, 2007, [http://www.heritage.org/Research/Europe/upload/hl\\_1040.pdf](http://www.heritage.org/Research/Europe/upload/hl_1040.pdf) (accessed September 20, 2007).

competition;” “reduce and eliminate trade and non-tariff barriers;” “level the [commercial] playing field;” “fully implement WTO obligations;” “better protect intellectual property rights;” “end forced technology transfers;” “stop granting prohibited subsidies;” “work on clean energy technologies;” “be a more active and responsible energy partner;” and “better protect human rights.”<sup>99</sup>

## **5. Trade Relations Summary**

From Europe’s perspective, trade with China has been a ‘threat’ to some business sectors but also an ‘opportunity’ for others. Economic troubles in Europe including high unemployment and trade surpluses with China, have raised domestic political pressures in Europe and induced some alarmist sentiments. In response, discussions in Europe regarding punitive measures have increased and cooled the relationship somewhat, but economically the current trends will likely continue. In a great irony, the European Union has recently been accused to protectionism in trade and investment, so its criticisms of China can be viewed as hypocritical and therefore less likely to have the intended effect.

### **C. ISSUES WEAKENING THE EMBARGO: COMMERCIAL AND POLITICAL INCENTIVES**

#### **1. EU Weapons Sales**

EU proponents of lifting the EU arms embargo wish to replace it with a strengthened Code of Conduct and have argued that it is necessary to engage China in active dialogue as a respected partner. Furthermore, they argue that because of China’s growing economy and regional strength, it is critical to ensure greater cooperation with UN Security Council resolutions such as those concerning North Korea and Darfur. They have also argued that the embargo has done little to prevent the transfer of weapons-related items to China and that China has developed its own defense industries or

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<sup>99</sup> David Shambaugh. “China-Europe Relations Get Complicated,” *Brookings Northeast Asia Commentary*, May 2007, <http://www.brookings.edu/fp/cnaps/commentary/shambaugh20070501.htm> (accessed September 20, 2007).

purchased weapons from Russia or the Middle East. Proponents of lifting the embargo also reason, “if the West sells the weapons to Beijing, it can at least keep track of developments and try to exercise some control over supply.”<sup>100</sup> In fact, the EU has often argued that a revised Code of Conduct would be more effective than the EU arms embargo is currently. Proponents of lifting it have claimed that the embargo is largely symbolic, but that it does have the harmful effect of embarrassing China and therefore needlessly dampening Sino-EU ties.

## **2. Chinese Desire for Imports from Europe**

### ***a. Security: Military Applications***

In terms of the EU arms embargo, China’s *EU Policy Paper* plainly sets forth the following request of the EU, “The EU should lift its ban on arms sales to China at an early date so as to remove barriers to greater bilateral cooperation on defense industry and technologies.” Presumably, China has hoped to reduce EU concerns about the possibility of proliferation on EU weapons and technology from the EU to China and eventually to third parties with its assurances of a joint safeguard on “international arms control, disarmament and non-proliferation regimes.” Naturally and not surprisingly, China clearly requested that the EU not “sell to Taiwan any weapon, equipment, goods, materials or technology that can be used for military purposes.”<sup>101</sup>

### ***b. Trade: Addressing EU Concerns over Trade Imbalances***

The EU replaced the United States as China’s largest trading partner in 2006 and as a consequence EU-China relations have, like U.S.-China relations, also become more strained because of trade deficits and common concerns over an undervalued Renminbi.<sup>102</sup> Such concerns in the EU and the United States have increased

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<sup>100</sup> Pierre Tran. “France Supports End to China Arms Ban,” *Defense News*, December 3, 2007, 1.

<sup>101</sup> Ministry of Foreign Affairs of the People’s Republic of China. *China’s EU Policy Paper*, October 2003, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

<sup>102</sup> The Renminbi is the ‘official’ name of China’s currency, often used with regard to relative valuation, while the yuan is the currency unit, commonly used as a measure of commodity price.

political pressures for domestic protectionism, unless China acts to revalue its currency and reduce its unnecessary customs barriers. When the EU trade commissioner, Peter Mandelson, called the trade deficit “unsustainable,” he was referring to the increase of 73 percent over the previous year. Additionally, he used the opportunity to declare that EU-China trade relations were “at a crossroads.”<sup>103</sup> Some estimates have placed the 2007 trade surpluses at ten times the level in 2004, which is further evidenced by China’s more than \$1.2 trillion in foreign currency reserves.<sup>104</sup>

China has similarly learned to return criticism toward the EU and the United States on trade issues, as evidenced by its complaints about a WTO blockage during the 2007 Doha talks. At those discussions, Bo Xilai, China’s commerce minister, said that “As the world’s two largest traders, (they) have yet to make substantial concessions on high import tariffs on farm products, export subsidies for agriculture and the huge domestic support for their agricultural products.” In defending China’s position, Bo Xilai used a commonly used tactic, by stating that China is a developing country and “has already done more than it should have.”<sup>105</sup> China has been known to resist more intractably if it perceives heavy foreign pressure, which it recognizes as interference in its internal affairs. Nevertheless, it is interesting to note that China has acknowledged a need to address and help to lessen concerns over its currency valuation. The reversal of its policy of price-fixing to the dollar and institution of a “managed float” “against a basket of currencies” signifies reform.<sup>106</sup> Ironically, the weakening of the dollar relative to both the yuan and the euro, has intensified EU concerns over a properly valued currency in China. The EU has, not surprisingly, called for greater reforms, but further complicating China’s willingness to act more aggressively have been the Chinese public’s protests over decade high inflation. Fearing greater domestic political unrest and risking increased pressure from the EU, the Chinese government responded in September

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<sup>103</sup> Richard McGregor. “EU Warns China’s Trade Surplus ‘Unsustainable’,” *Financial Times*, June 11, 2007.

<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Daniella Markheim. “China’s: Yuan Manipulated, Misaligned, or Just Misunderstood?” *Heritage Web Memo*, no. 1608, September 11, 2007. <http://www.heritage.org/Research/AsiaandthePacific/wm1608.cfm> (accessed September 20, 2007).

2007 by instituting price controls on items “ranging from oil, electricity and water to the cost of parking and park entrance fees.”<sup>107</sup>

### **3. Chinese Desire for Normalized Relations**

China’s attempts to normalize its relations with world powers are a necessary process in order to attain full economic benefit from as many trading partners as possible. As often stated by Deng Xiaoping, the principal goal of the CCP in ensuring the survival of its brand of socialism has been to maintain legitimacy through economic reform in order to bring about prosperity, enhance political stability domestically, and strengthen China’s military power and prestige on the world stage.<sup>108</sup>

The highpoint for China-EU relations occurred between 2003 and 2004, because strong bilateral ties were developed but tensions had not yet come to the fore. Often called the “honeymoon,” this period has several important developments toward strong Sino-EU ties. On September 10, 2003, the European Commission issued its policy paper titled *A Maturing Partnership: Shared Interests and Challenges in EU-China Relations*. In response and just weeks prior to the 6<sup>th</sup> EU-China Summit, China issued its first ever *EU Policy Paper* on October 13<sup>th</sup>. The positive reaction in China was clearly evident when the government in China declared 2004 to be the “Year of Europe.” In March of 2004, the EU became China’s largest trading partner and China became the EU’s second largest trading partner.<sup>109</sup>

### **D. ISSUES PERPETUATING THE EMBARGO: POLITICAL PRESSURE**

Because of a variety of factors including security issues, human rights, trade concerns, and political pressure from Washington, Tokyo, and EU constituencies, the EU has continued to maintain its embargo. In December 2005, statements affirming the

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<sup>107</sup> Richard McGregor. “Beijing Imposes Price Freeze,” *Financial Times*, September 19, 2007.

<sup>108</sup> Deng Xiaoping. *Selected Works. Volume II*, (Beijing: The People’s Printing House, 1994), 162, 351, and 352.

<sup>109</sup> Beginning with the third sentence in the paragraph, all of the subsequent facts in this paragraph were sourced from: European Union. *Chronology of EU-China Relations*. February 2007, [http://ec.europa.eu/external\\_relations/china/docs/07\\_chronology\\_jan-07.pdf](http://ec.europa.eu/external_relations/china/docs/07_chronology_jan-07.pdf) (accessed May 5, 2008).

embargo surprised many observers because this was a stark reversal considering that many EU leaders only six months before were most assuredly predicting that the embargo would indeed be lifted. Following bilateral meetings with China in January 2007, the EU reaffirmed its opposition to lifting the embargo and based its position on human rights. More specifically, it stated that the embargo would remain in place until China meets four specific criteria: it must ratify the International Covenant of Civil and Political Rights (ICCPR), release the Tiananmen Square protesters who remain in jail, end the re-education through labor (RTL) system of imprisonment without trial, and ease censorship of the media.<sup>110</sup>

### **1. Security: The 2005 Anti-Secession Law**

In 2003, France and Germany led efforts to lift the embargo and were joined shortly afterward by Italy, Spain, Finland, the Netherlands, and the UK. By late 2004, the Taiwan lobby and human rights concerns complicated the debate in the national parliaments of Sweden, Norway, and Denmark, though each in principle agreed with the premise of lifting the embargo.<sup>111</sup> Following the March 2005 Anti-Secession law, the political momentum in the EU shifted dramatically. “In the 2005 Annual Report on the CFSP, with 431 votes in favor and 85 against, the European Parliament again urged the Council not to lift the arms embargo.” The Members of the European Parliament (MEPs) called on the Council “not to lift the arms embargo until greater progress is made in the field of human rights and arms exports controls in China and on cross-Strait relations.”<sup>112</sup> While the EP “claims to represent the people of the Europe,” the Council represents the

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<sup>110</sup> “The World this Week,” *The Economist*, January 27, 2007, 6. See also Amnesty International. *Briefing on EU Concerns Regarding Human Rights in China, Prepared for EU-China Summit*, September 5, 2005, 1, <http://www.amnesty.org/en/library/asset/ASA17/027/2005/en/dom-ASA170272005en.pdf> (accessed May 5, 2008).

<sup>111</sup> Nicola Casarini. “The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership.” *Occasional Paper*, no. 64, Paris: The European Union Institute for Security Studies (October 2006), 32, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

<sup>112</sup> European Parliament. *Report on the Common Foreign and Security Policy*, EP non-legislative resolution, February 2, 2006, <http://www.europarl.europa.eu/oeil/resume.jsp?id=5257842&eventId=926653&backToCaller=NO&language=en> (accessed March 22, 2008).

governments of the member states and more importantly in this case maintains the capacity for foreign policy decision-making.<sup>113</sup>

## **2. Human Rights Concerns**

Since 1998, the EU has ceased its annual policy of co-sponsoring (with the United States) the motion against China in the United Nations Commission on Human Rights (UNCHR). The EU made the decision to reverse its policy because it believed that the action unnecessarily hampered relations with Beijing without a meaningful improvement in human rights.<sup>114</sup> Instead of a public criticism of China at the UN, the EU chose instead to adopt a bilateral approach with China in the European Commission's 1998 paper, *Building a Comprehensive Partnership with China*.<sup>115</sup> The new policy called for biannual EU-China human rights dialogues and was met with receptivity in China.<sup>116</sup> Because EU *Annual Reports on Human Rights* have both criticized China and offered encouragement on some improvements, China has remained engaged with the EU in formal dialogues. However, while China remains engaged in such dialogues with the EU, it has levied considerable influence of its own on the subject of human rights.

Most notably, China has complained vociferously against any leader willing to receive the Dalai Lama. European politicians have tried to mitigate the damage done to bilateral ties with China, by meeting with the Dalai Lama. For example, in September 2007 German Chancellor Angela Merkel received the Dalai Lama in a government office and without prior notification of China. This action was particularly troubling for China given its 2003 *EU Policy Paper*, which specifically detailed its views on the matter; "The Chinese side requests the EU side not to have any contact with the 'Tibetan government

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<sup>113</sup> Kristin Archick. *The European Parliament*. RS 21996 (Washington, D.C.: Congressional Research Service, Library of Congress, April 6, 2005), 5.

<sup>114</sup> Nicola Casarini. "The Evolution of the EU-China Relationship: from Constructive Engagement to Strategic Partnership." *Occasional Paper*, no. 64, Paris: The European Union Institute for Security Studies (October 2006), 19, <http://www.iss.europa.eu/occasion/occ64.pdf> (accessed May 2, 2008).

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.



in exile' or provide facilities to the separatist activities of the Dalai clique."<sup>117</sup> Suggestive of a measure of discretion and diplomatic courtesy, in March 2008 Gordon Brown, the Prime Minister of the UK, gave the Chinese Prime Minister, Wen Jiabao, prior notification of his meeting with the Dalai Lama and held the meeting in Lambeth Palace, the home of the Archbishop of Canterbury. The distinctions were intended to be in accordance with the reception of a spiritual leader, rather than a head of state, and evidently designed to avoid the punitive damage to bilateral and commercial ties incurred by Germany.<sup>118</sup>

From 2003 to 2005, French President Jacques Chirac and German Chancellor Gerhard Schroeder were the most vocal opponents of the EU arms ban on China. Since that time their successors, Nicolas Sarkozy and Angela Merkel, have reversed course and supported the embargo. However, recent actions by Sarkozy represent yet another reversal, now against the ban. During his electoral campaign, the pro-U.S. and pro-NATO candidate Sarkozy claimed to be in favor of the embargo and accused China of "transforming its insatiable search for raw materials into a strategy of control."<sup>119</sup> Additionally, Sarkozy professed a desire to add an element of human rights to French foreign policy and diplomacy, which may have been intended to distinguish himself from his predecessor, who had been accused of "using diplomacy for commercial ends."<sup>120</sup> Sarkozy also professed, for example, that "just because China and Russia are great powers one should not refrain from denouncing the violations of human rights that are committed there."<sup>121</sup> Nevertheless, on November 25-27, 2007 Sarkozy made a state visit to China and secured the sale of \$17 billion in 160 Airbus aircraft and \$12 billion in two civil nuclear reactors, and unashamedly released a statement in favor of lifting the embargo.<sup>122</sup> It is also interesting to note that during this visit, just one day before the

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<sup>117</sup> Ministry of Foreign Affairs of the People's Republic of China. *China's EU Policy Paper*, October 2003, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

<sup>118</sup> James Blitz. "Brown Agrees to Meet Dalai Lama." *Financial Times*, March 20, 2007.

<sup>119</sup> "Running Fast, but Where Is He Going." *The Economist*, September 1, 2007, 46.

<sup>120</sup> "Sarkozy's Moral Test." *The Economist*, December 15, 2007, 63.

<sup>121</sup> Ibid.

<sup>122</sup> Pierre Tran. "France Supports End to China Arms Ban," *Defense News*, December 3, 2007, 1.

November 28, 2007 EU-China summit, Sarkozy “conspicuously” neglected “to bring along his human rights minister,” Ms. Rama Yade.<sup>123</sup> Commenting on this dramatic about-face, U.S. Representative Duncan Hunter said, “When they [the French] assume the EU presidency [in July 2008], you can bet they’re going to make a push so they can deliver a gift to the Chinese during their summit late next year.”<sup>124</sup> Hunter was referring to the next EU-China summit, which is to take place in November 2008. In reaction to Sarkozy’s April 2008 suggestion that France might boycott the 2008 Olympics inauguration in response to China’s treatment of Tibetan protestors, Swedish Minister of Parliament Carl B. Hamilton had the following comment concerning French “hypocrisy,” “The first lesson is that France holds no scruples but plenty of political flexibility regarding business, China, and human rights. Second, principled resistance and distinct protests against China can pay off. When outspoken demands on human rights become too uncomfortable, the Chinese leaders may change their policy.”<sup>125</sup>

**a.        *The UN Convention on Civil and Political Rights***

The International Covenant of Civil and Political Rights (ICCPR) was signed by Beijing in October 1998, but it has yet to ratify it. Ratification in 2005 would have been precisely the gesture the EU needed to appease domestic human rights concerns. In fact, the European Council *Presidency Conclusions* published in February 2005, directly indicate the importance of the ICCPR on lifting the embargo.

EU-China relations have developed significantly in all aspects in the past years. It is looking forward to further progress in all areas of this relationship as referred to in the EU-China Joint Statement, in particular the ratification of the International Covenant on civil and political rights. In this context the European Council reaffirmed the political will to

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<sup>123</sup> “The EU-China Summit, the World Does not Shake China.” *The Economist*, December 1, 2007, 56.

<sup>124</sup> Pierre Tran. “France Supports End to China Arms Ban,” *Defense News*, December 3, 2007, 1.

<sup>125</sup> Carl B. Hamilton. “Flexible France Has No Scruples About Business, China and Human Rights,” Letters to the Editor, *Financial Times*, April 12, 2008.

continue to work towards lifting the arms embargo. It invited the next Presidency to finalize the well-advanced work in order to allow for a decision.<sup>126</sup>

However, such a step on China's part would have required more than symbolic action, but a fundamental reversal in its legal foundations and treatment of its citizens. Chinese officials have often resisted international conformity in human rights standards by citing the importance of "Asian values" and regional diversity. During the 1993 World Conference on Human Rights in Vienna, the Chinese foreign minister stated that "individuals must put the state's rights before their own."<sup>127</sup> Deng Xiaoping once asked rhetorically, "What are human rights? They are the rights of how many people, of a majority, or a minority, or of all the people? What the West calls human rights and what we call human rights are two different things, with different standpoints."<sup>128</sup>

Among the ICCPR articles, are principles that are universal in the EU. China currently allows for the right "to apply for a hearing," but reform would bring about the right to be promptly brought before a court for charges, an "independent and impartial tribunal," the right to an attorney, and the presumption of innocence.<sup>129</sup> Additionally, the articles would seek to protect "freedom of thought, conscience, religion...expression, association, and assembly," and restrict the broad application of the death penalty.<sup>130</sup> Additionally problematic for China, the articles restrict the use of "forced or compulsory labor" and permit the right to "liberty of movement and the freedom to choose" a residence.<sup>131</sup>

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<sup>126</sup> European Council. *Presidency Conclusions*. Brussels, February 1, 2008, 19, [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/83201.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf) (accessed May 7, 2008).

<sup>127</sup> Amartya Sen. "Human Rights and Asian Values," *The New Republic*, July 14-21, 1997, 33.

<sup>128</sup> Deng Xiaoping quoted in, Michael A. Santoro. *Profits and Principles, Global Capitalism and Human Rights in China* (Ithaca, NY: Cornell University Press) 2000, 114.

<sup>129</sup> Amnesty International. *Briefing on EU Concerns Regarding Human Rights in China, Prepared for EU-China Summit*, September 5, 2005, 5, <http://www.amnesty.org/en/library/asset/ASA17/027/2005/en/dom-ASA170272005en.pdf> (accessed May 5, 2008).

<sup>130</sup> *Ibid.*, 7.

<sup>131</sup> United Nations. Office of the High Commissioner for Human Rights. *International Covenant on Civil and Political Rights*, Geneva, Switzerland, March 23, 1976, [http://www.unhchr.ch/html/menu3/b/a\\_ccpr.htm](http://www.unhchr.ch/html/menu3/b/a_ccpr.htm) (accessed May 5, 2008).

**b. *Imprisoned Tiananmen Protesters***

Amnesty International has labeled the killings in June 1989 as “executions: deliberate and targeted killings of peaceful demonstrators by government forces” who were “unarmed protesters and bystanders who posed no threat to army personnel.”<sup>132</sup> Additionally the report states that thousands were arrested, sent into exile, received long sentences, life in prison or death, and that dozens remain in jail to this day.<sup>133</sup> This fact remains a political sore spot for EU members favoring a repeal of the embargo, and it has been difficult to overlook. The EU expected China in early 2005, as a gesture of good faith, to release those imprisoned, but China inexplicably did not do so. In February 2006, international attention was drawn to Yu Dongyue, who served 17 years in prison for “counter-revolutionary incitement” by throwing paint on a portrait of Mao Zedong. Likely tortured and held in solitary confinement, Yu, a former journalist, was released but has not recognized his own family members and has remained unintelligible and despondent.<sup>134</sup> Moreover, Chinese citizens have continued to be imprisoned because of government attempts to suppress and contain the effects of the Tiananmen Square protests. According to Amnesty International, in 2000, Huang Qi was sentenced to five years in prison for posting opinions about the protest on his website; in 2005, Shi Tao was sentenced to ten years for providing journalists with official documents concerning social unrest during an anniversary of Tiananmen.<sup>135</sup>

**c. *Re-Education through Labor and Media Freedom***

In 1956, the Central Committee of the CCP called for the establishment of RTL programs. Actions punishable under RTL include unrepentant behavior that is

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<sup>132</sup> Amnesty International. *Briefing on EU Concerns Regarding Human Rights in China, Prepared for EU-China Summit*, September 5, 2005, 1, <http://www.amnesty.org/en/library/asset/ASA17/027/2005/en/dom-ASA170272005en.pdf> (accessed May 5, 2008).

<sup>133</sup> Ibid.

<sup>134</sup> “Tiananmen Activist ‘Mentally Ill,’ *BBC News*, February 23, 2006, <http://news.bbc.co.uk/2/hi/asia-pacific/4742478.stm> (accessed March 20, 2008).

<sup>135</sup> Amnesty International. *Briefing on EU Concerns Regarding Human Rights in China, Prepared for EU-China Summit*, September 5, 2005, 2, <http://www.amnesty.org/en/library/asset/ASA17/027/2005/en/dom-ASA170272005en.pdf> (accessed May 5, 2008).

counterrevolutionary, anti-socialist, disruptive to public order, and not in compliance with rules of the work place, yet not a violation of criminal law.<sup>136</sup> In other words, persons who are able to work, but refuse to conform to what is considered appropriate behavior will be “re-educated” through labor. The EU and human rights organizations have taken exception to the practice of RTL because it concerns state action to force compliance with “subjectively assessed behavior” rather than to punish a “crime” or “offense” in such a way that is compatible with Article 15 of the ICCPR on the principles of “no crime without law” and “no punishment without law.”<sup>137</sup> As of 2005, there were more than 310 institutions and 100,000 police officers and staff to supervise the more than 310,000 people in RTL camps.<sup>138</sup>

The Chinese government has traditionally maintained tight control over domestic and foreign media. Although it recently expelled foreign journalists from Tibet, China’s limitations on journalists and common forms of media such as newspapers and books are not new. What are new and more restrictive are China’s strong efforts to suppress websites and “blogs.” It is unclear whether this restriction is due to a deliberate change in policy or the possibility that it has only recently acquired the technology to impose and enforce more restrictions.

#### **E. THE CURRENT CHARACTER OF SINO-EU RELATIONS AS A RESULT OF THE EMBARGO**

When compared with Washington, Brussels has been more willing to “engage” Beijing, play down the “China threat,” and attempt to socialize China toward a European-style view of multilateralism in a post-Westphalian mindset. It is clear that Washington has struggled to maintain a consistent stance on “China’s rise,” and that U.S. policy has

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<sup>136</sup> Liu Renwen. *Reform of China’s Reeducation Through Labor System*, The Brookings Institution, Center for Northeast Asian Policy Studies, Washington, D.C., January, 25 2005, 4, <http://www.brookings.edu/~media/Files/events/2005/0125china/20050125.pdf> (accessed March 21, 2008).

<sup>137</sup> Amnesty International. *Briefing on EU Concerns Regarding Human Rights in China, Prepared for EU-China Summit*, September 5, 2005, 5, <http://www.amnesty.org/en/library/asset/ASA17/027/2005/en/dom-ASA170272005en.pdf> (accessed May 5, 2008).

<sup>138</sup> Liu Renwen. *Reform of China’s Reeducation Through Labor System*, The Brookings Institution, Center for Northeast Asian Policy Studies, Washington, D.C., January, 25 2005, 3, <http://www.brookings.edu/~media/Files/events/2005/0125china/20050125.pdf> (accessed March 21, 2008).

shifted between containment, hedging, and ‘comprehensive engagement.’ During the Cold War, the EU followed the American lead with regard to its China policy. However, in 1995 the European Commission published its first China strategy paper. It emphasized an EU “approach” toward engagement intended to improve relations with China as a trading partner by focusing on improvements in China’s political system and human rights, while less preoccupied with “threat theories.”<sup>139</sup> Since Tiananmen Square, the defining moment in Sino-U.S. relations has been the 1996 Taiwan missile crisis. The defining moment for Sino-EU relations since that time has been the 2005 Anti-Secession law. While the United States and the EU share common views on trade and human rights issues, they have entirely different perceptions of security issues and the potential “China threat.” In terms of security, it was the timing of the March 2005 law, which came only months before the embargo was to be lifted, which caused the EU to shift ideologically from Beijing to Washington. In this triangular relationship, the relative importance of security remains a pivotal factor and it is nowhere more evident than in the debates revolving around the embargo.

## **1. Current Tensions**

The European Commission’s *China Country Strategy Paper* (CSP) has recognized Sino-American security tensions by stating that “China and the U.S. have growing mutual commercial interests, but face difficult political differences over issues such as Taiwan, human rights, and U.S. plans for a Nuclear Missile Defense system. Tensions between the U.S. as the dominant superpower, and China as a growing military and economic power, are likely to occur regularly for the foreseeable future.”<sup>140</sup> Furthermore, in describing Chinese interest in Russian-made weapons the CSP stated, “This reflects China’s interest in supporting global multipolarity and resisting perceived

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<sup>139</sup> Kay Moeller. “Studies of China’s Foreign and Security Policies in Europe.” In *China Watching, Perspectives from Europe, Japan, and the United States*, eds Robert Ash, et al. (London: Routledge Taylor & Francis Group), 2007, 179. As cited from Joachim Glaubitz. “Changing Power Constellations in East Asia: Cooperation of Conflict?” *Different Answers to Strategic Change* eds Klaus Becher and Reinhard Schalgintweit (Bonn: Deutsche Gesellschaft für Auswärtige Politik, 1995), 95-99. And “A Long-Term Policy for Relations between China and Europe,” *Bulletin Quotidien Europe*, No. 1954/1955, October 12, 1995.

<sup>140</sup> European Commission. *China Country Strategy Paper 2002-2006*, Brussels, 2002, 11.

U.S. hegemony. Relations are likely to intensify over the coming years, while tempered by historical mistrust.” Both statements clearly reflect an unambiguous awareness by the EU concerning security and the relevance of weapons in the Sino-American relationship. The concerns on all sides over Taiwan, weapons, and the regional balances of power are obvious. Within the Sino-EU relationship, both sides want to reduce the trade deficit with arms sales, but disagree on the depth of human rights reforms. Furthermore, neither China nor the EU seems particularly keen on angering a potentially retaliatory U.S. Congress.

## **2. The Future of EU-China Summits**

Although France is poised to assume the EU presidency in July 2008, with presumably time to gather support for ending the embargo at the November 2008 EU-China summit, it will probably not be able to gain a consensus among EU member states on the matter. Due to strong human rights concerns among EU voters, EU leaders have shied away from public endorsements of ending the embargo. French President Nicholas Sarkozy and Italian Prime Minister Romano Prodi are notable exceptions; however, the latter received a vote of no confidence in parliament in January 2008. An EU official recently stated, “There is no formal proposal that has been made for it to be lifted and there is no formal discussion about it. There is no reason to change the EU’s opposition as set out in Council conclusions of December 2005.”<sup>141</sup> However, it should be noted that although no “formal proposals” for lifting the embargo exist within the EU, the issue is still quite active and very much a matter for discussion. Despite some statements indicating that the issue has not been formally discussed since 2005, according to an October 2006 EU Commission communication to the Council and Parliament,

The EU has agreed to continue to work towards embargo lift, but further work will be necessary by both sides: Current and incoming Presidencies should finalize technical preparations to ensure lift would not lead to a qualitative or quantitative increase in arms sales, and continue to explore possibilities for building a consensus for lift. The EU should work with China to improve the atmosphere for lift, making progress on China’s

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<sup>141</sup> Pierre Tran. “France Supports End to China Arms Ban,” *Defense News*, December 3, 2007, 1.

human rights situation; working to improve cross-straits relations; and by improving the transparency of its military expenditure.<sup>142</sup>

During its EU presidency in July 2008, France will probably raise the issue for official discussion in the EU, despite the great probability of being voted down. Such efforts though unsuccessful will be viewed positively by China. As a result, France, in “Chirac-ian” tradition, will likely gain added favor from the Chinese leaders in commercial sales by way of diplomacy. Chinese leaders have historically been quick to provide commercial rewards in return for favorable policies concerning the embargo, limited recognition of the Dalai Lama, and a one-China policy with regard to Taiwan. For EU leaders, some discussions toward lifting the embargo bring about beneficial relations with China, but earnest and active efforts to lift the embargo have been met with powerful resistance from Washington, Tokyo, and Taipei. The EU has not reattempted such efforts since early 2005.

## **F. CHAPTER CONCLUSION**

The EU has great interests in lifting the embargo. First, the embargo has been an embarrassment to both sides of the Sino-EU relationship. With increasing trade and China as the host to the 2008 Olympics, the embargo remains problematic. Because China holds a permanent seat on the UNSC, the EU foresees great benefit in socializing China toward its norms and pursuing common world interests. Second, increased arms sales would have a dramatic and mutually beneficial impact in aiding EU defense industries, granting China access to high-technology hardware, and also in reducing the trade surplus, that has plagued Sino-EU relations.

There is no question that the 2005 Anti-Secession law and China’s failure to address human rights concerns by ratifying the UN’s ICCPR, releasing Tiananmen protestors, reforming RTL, and easing media freedoms have perpetuated the embargo from the EU perspective. China’s failure to satisfy EU concerns, notably with symbolic

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<sup>142</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 11, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008).



gestures, reflects Beijing's priority toward domestic political control above improving ties with the EU. Sino-EU relations have been strained by the failed attempts to lift the embargo, particularly since strong sentiments still exist in favor of lifting it, yet no formal efforts to compromise have been made in recent years.

## **IV. THE EU ARMS EMBARGO: ISSUES FOR CHINA-U.S. RELATIONS**

In more fully understanding China-U.S. relations as they pertain to the embargo, it is helpful to first understand some of the drivers of Beijing's foreign policies, the role of the CCP in government, and its economic legacies and reforms. Additionally, how Beijing views the embargo and its attempts to circumvent it will also be analyzed. Finally, an analysis of appropriate U.S. policies toward China will make recommendations on improving bilateral ties with respect to the embargo and security issues such as the Taiwan question as well as human rights and trade concerns. An effective U.S. policy toward China needs to foster American interests in terms of security issues, human rights principles, and trade concerns. Such a policy needs to continue to engage China politically and foster deeper ties. Furthermore, this policy must recognize that close EU-China ties will also help to foster political improvements in China and socialize China toward new norms of behavior and greater world responsibility befitting a member of the UN Security Council. Such constructive engagement of China on both sides of the Atlantic must foster friendly and non-threatening ties, but also have an appropriate and true regard for a practical dialogue that will measurably advance human rights improvements in China as well as ensure peaceful relations with Taiwan.

### **A. UNDERSTANDING BEIJING**

#### **1. The Drivers of Beijing's Foreign Policies**

Beijing's foreign policies focus primarily on national interest, but ideology and cultural traditions play an important, though secondary role in government. Ideology and cultural traditions cannot be completely discounted because both have been used to justify and legitimize the rule of the CCP. This is evident in the very limited degree to which successors to Mao Zedong, like Deng Xiaoping were judicious and sparing in their criticisms of Mao or of the Communist Party. However, foreign policies, since the founding of the PRC in 1949, have become increasingly more rational and less

ideologically rigid over time. The CCP did, however promote a period of reform back to the traditional ideals of Marxism-Leninism-Maoism after Tiananmen Square incident threatened its power and legitimacy; this movement was short-lived and not consistent with the broader trend shifting away from ideology toward ‘realpolitik.’ Denny Roy has stated that, “China’s foreign relations demonstrates that there is merit in the Realist assumption that the moral and ideological concerns are secondary to the desire of states to maintain and increase their power relative to other governments.”<sup>143</sup>

Historically, China as the ‘Middle Kingdom’ dominated surrounding tributary states, looked inward, and was more concerned with border defense than the expansion of long-range trade, military modernization, and western learning. After the ‘century of humiliation,’ the realities and brutality associated with national weakness became increasingly important. ‘Marxism-Leninism-Mao Zedong Thought’ has played a crucial role and a basis for fulfillment of the communist revolution, common thought, coherent foreign policy, and a new sense of nationalism. With power relatively more secure domestically, ideology has become less critical, though not irrelevant because of its usefulness in sustaining political rights to legitimacy. Since the death of Mao in 1976 and particularly under the influence of Deng Xiaoping, “emphasis was shifted more toward China’s pragmatic economic development.”<sup>144</sup> Mao Zedong may have insinuated that the PRC would not be narrowly confined to one side of Cold War bipolarity in his 1949 speech saying, “China would seek to establish relations with all foreign countries on the basis of equality, mutual benefit and mutual respect for territorial integrity and sovereignty.”<sup>145</sup>

In May 1958, Mao Zedong made clear that in realism, the value of power is quite high: “Though we have a large population, we have not yet demonstrated our strength. One day when we catch up with Great Britain and the U.S., Dulles will respect us and

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<sup>143</sup> Denny Roy. *China’s Foreign Relations*, (Rowman & Littlefield, 1998), 229.

<sup>144</sup> Robert Sutter. *Chinese Policy Priorities and Their Implications for the United States*, (Rowman & Littlefield, 1998), 182.

<sup>145</sup> Mao Zedong paraphrased in Michael Yahuda. *China’s Role in World Affairs* (St. Martin’s Press, 1978), 47.

acknowledge our existence as a nation.”<sup>146</sup> Domestically, ideology has great importance, but in foreign policy respect, power, and national security reign supreme. It was Zhou Enlai in his 1955 speech and 1971 meetings with Kissinger and Nixon, that promoted the value of a ‘friendly’ atmosphere and negotiation in ‘relaxing tension’ not along ideological lines but along lines of logical alliance and power balancing.

China’s foreign policy decisions reflect a broader desire to be respected and treated as a great nation. Power in Confucian society is relative and includes intangible things such as respect that do not carry equal relevancy in western thought. The Nixon-Kissinger visits, the recognition of the PRC, and a permanent seat at the UN Security Council may have all worked to disprove or at least make less relevant the Maoist ideals of western persistence on communist subversion. The warming of relations or ‘rapprochement’ with the west that took place under Zhou Enlai and later under Deng Xiaoping, have permitted the CCP to make Leninist-Marxist-Maoist thought secondary to national security and economic advancement. The Chinese have claimed that ties with the United States were increased in the early 1970’s because of a comparative weakness of the United States to the USSR. Clearly, China’s primary interest in power balancing, military expansion, nuclear capability, and economic prosperity centered on enhancing national security, while limiting intervention by foreigners. The focus was no longer on revolutionary ideas of collective struggle. Ideology for the Chinese became used less for foreign policy decisions and rather interestingly used as a tool to criticize the actions and policies of other nations.<sup>147</sup> While Mao’s denunciation of Khrushchev’s revisionism appears to be based on ideological disputes, the underlying reasons rationally include the Chinese desire for autonomy and respect. Similarly, Chinese support for Albania in 1961 is more rationally founded in balance-of-power tactics in a zero-sum-game, than in ideological alignments.

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<sup>146</sup> Mao Zedong quoted in Michael Yahuda. *China’s Role in World Affairs* (St. Martin’s Press, 1978), 73.

<sup>147</sup> Steven Levine. “Perception and Ideology in Chinese Foreign Policy,” in Thomas Robinson and David Shambaugh, eds. *Chinese Foreign Policy: Theory and Practice* (New York, NY: Oxford University Press, 1994), 39.

Now that China has close economic and diplomatic relationships with former enemies, such as Japan, the United States and South Korea, it is reasonable to project that nationalism could eventually replace communist ideology in terms of importance. Denny Roy summarized China's shift toward realism when stating that, "Neo-Realists expect that alliances will be flexible, and that a government will seek security cooperation with its neighbors to offset the power of the state or states it considers most threatening. But since today's ally may be tomorrow's enemy, ultimately a state can rely only on itself for protection; therefore states seek to develop their own capacities to defend their interests, and tend to resist the imposition of restrictions on these capabilities."<sup>148</sup> As long as the power of the communist party is not directly threatened, as it was during the Tiananmen Square incident, the foreign policy actions of the PRC serve to protect the national interest and are for the most part rational and unitary.

Historically, the Asian ideology of the Five Principles of Peaceful Coexistence, first espoused by Zhou Enlai and Pandit Nehru in 1954, have proven to be the foundation upon which China's foreign policy rests, ("mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence").<sup>149</sup> However, because of the importance of the 2008 Beijing Olympics on international prestige, China has uncharacteristically chosen pragmatism over non-interference in sending a delegation to Sudan. This rare effort successfully 'pressured' the government of Sudan to accept United Nations peacekeepers to augment the existing African Union troop presence. Furthermore, the apparent reversal in foreign policy reflects the realization of the importance, both domestically and internationally, to a successful hosting of the Olympics, rather than a sudden moral awakening. In future foreign policy decisions, it is reasonable to assume that China will pursue the ideals of non-interference when possible, but power and the acquisition of natural resources will be the highest priority. Ironically, it is quite often that the Third World and their sorely needed natural resources that are attracted to China's principles of non-interference. This is to say that the Chinese often

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<sup>148</sup> Denny Roy. *China's Foreign Relations*, (Rowman & Littlefield, 1998), 4.

<sup>149</sup> Ibid., 40.

demand little and ask few questions of their trading partners, and this tactic has proven to be quite useful. In all efforts, the CCP will seek to preserve its own power first and then to preserve national security. Ideology will be increasingly less relevant, as long as the CCP does not feel strongly threatened.

## **2. Understanding the Role of the CCP in Government**

In China, the revolutionary national agenda was not determined by the international setting, but rather was largely a reaction against it. The People's Republic of China (PRC) was founded on October 1, 1949 shortly after the Chinese Communist Party (CCP) defeated the Kuomintang (KMT) in the Chinese civil war. Since that time, the national agenda has been determined by the CCP and characterized by a powerful sense of self-determination. A prominent factor that shaped the foundation of the PRC was the "century of humiliation," in which the Chinese people were repeatedly occupied by Western powers and the Japanese. Additionally, China was devastated by civil wars in which left many millions dead. Not coincidentally, foreign powers also played significant roles in China's civil wars. The fact its latest civil war was a 'war of peasant nationalism' suggests that it was not only about domestic class struggle, but also about resistance to foreign interference. Therefore, the CCP was shaped by historical memory in such a way that it defined itself as ardently opposed to any foreign intervention in 'internal matters' and had no tolerance for domestic non-conformists.

The domestic agenda in China is determined by the CCP itself. Rather than a "parallel hierarchy" between the party and government as in some Communist countries, China's CCP dominates the government entirely by mandating party appointments at all levels of government.<sup>150</sup> In other words, international and domestic pressures do have indirect influence on the Party, but the Party itself functions mainly based upon its own internal dynamics. While the Party controls the PLA as it does other branches of government, PLA membership in the Party has the military at the center of political

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<sup>150</sup> John E. Endicott, et.al. *The Politics of East Asia: China, Japan, and Korea* (Boulder, CO: Westview Press, 1978), 82.

activity and power.<sup>151</sup> From 1949 to 1962, the PRC followed the Soviet Union's lead, but since that time remained independent of them and even hostile with occasional border clashes. Although the CCP-Soviet alliances had deep ties, China wanted to be treated as a respected equal partner and not one to be pressured on matters in Manchuria or Outer Mongolia. Initially, Stalin, for his part, assisted the CCP but would have preferred a weak and easily manipulated China.

The international setting of the Cold War and the U.S. policy of containment against communism and Chinese influence in Asia largely meant that China was isolated, looked inward or looked to the Soviet Union for aid and a model for industrialization in heavy industry. In other words, Soviet influence in China was limited, temporary, and necessary for a limited time, but in order for China to assume 'its rightful place' in Asia it need to be autonomous and free from influence in 'internal matters.' The PRC freed itself from Soviet influence following the Khrushchev's denouncement of Stalin, détente, and "peaceful coexistence which the Chinese labeled as 'revisionism'". In many areas, the Chinese simply 'borrowed' from the Soviets and developed basic models. The most important legacy from the Soviets is ideological, because Marxist-Leninism was eventually incorporated into Mao Zedong Thought. It was Stalin's influence of Mao in the context of "class enemies" and continuing "class struggle" within socialism, that led to the creation of disastrous domestic social reforms.

### **3. Understanding the Chinese Economy, Legacies, and Reform**

A critical legacy from China's dynastic past, is the realization by successive regimes that the failure to maintain political stability will lead to government collapse. With Tiananmen Square in recent memory and increasing social protests, the CCP are keenly aware of this potential. Yet, Mao's assumption about power emanating from the barrel of a gun, neglected what was as true in the 1920s as it is today: power quite often

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<sup>151</sup> John E. Endicott, et. al. *The Politics of East Asia: China, Japan, and Korea* (Boulder, CO: Westview Press, 1978), 89.

emanates from foreign investment and economic growth.<sup>152</sup> Another Maoist legacy is that the Soviet brand of industrialization did not utilize China's natural endowment in human capital and further relied heavily on scarce wealth and investment. It is ironic that the adoption of European Marxism-Leninism in 1949 did not provide as much economic growth in China as its 'Asian tiger' neighbors experienced with Confucian values during the same time period.<sup>153</sup> The CCP has still had to deal with the fact that economic growth in the early stages of the PRC was attained through market distortions, which suppressed wages, prices, and currency valuations. Essentially, the government at that time fixed low prices for grain and high prices for industrial products to sustain growth and de facto urban favoritism. By focusing on the development of heavy industry on the back of agriculture, and at the expense of consumer goods, such strategy was unable to capitalize on China's comparative advantage and utilize the well-established networks of standard market towns and intermediate market towns for efficient exchange.

Modern CCP leadership since 1978 has most assuredly recognized that Maoist discouragement of international trade caused stagnation. The challenge for the modern CCP has been to deal effectively with the enduring socialist legacies, which reduced the incentives for profitability in the state-owned industries (SOES). Target production quotas, which have no basis in demand, have poor quality control, and expensive social safety nets, have collectively put a drain on the economy. The processes of gradual reforms have reflected not only caution on the part of Chinese leadership, but also more importantly the difficulty in withdrawal from such societal-dependence on government.

Another legacy and holdover has been large rural to urban income disparities, which are attributable not only to the favoritism of industry, but also to the limitations on migration of the rural people through household registration systems. Social programs such as education, health care, and pensions have all been tied to city residency.

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<sup>152</sup> Tim Wright. "Economic Development in China during the Nineteenth and Twentieth Centuries: A Review Article," *The Journal of Economic History*, vol. 43, no. 2. (June 1983): 496. As cited from Roberta Dayer. *Bankers and Diplomats in China, 1917-1925: The Anglo-American Relationship* (London: Frank Cass 1981), xiii.

<sup>153</sup> Kent G. Deng. "A Critical Survey of Recent Research in Chinese Economic History, *The Economic History Review*, New Series, vol. 53, no. 1 (February 2000): 10.



However, the modern re-emergence of the market economy has capitalized on the natural endowment of abundance in labor and the existing commercial and social networks of the macro-regions. Furthermore, the underemployment socialism caused by ignoring small-scale family business has recently provided the fuel for rapid growth during modern reforms. Additionally, the legacy of collectivization and subsequent recent attempts to reestablish land ownership, have thus far yielded only to the right to use land rather than true ownership in the conventional sense.

## **B. BEIJING'S VIEW OF THE EU ARMS EMBARGO**

Beijing views the EU arms embargo as an issue of significance and has made several diplomatic and economic attempts to lift the embargo. The majority of the debate on this issue has been concentrated during the past five years on the contentious dispute between a Washington lobby to maintain the embargo and increasing European openness to ending it. The debate has been argued actively since the 2003 war in Iraq, when Europe drifted away from the United States and Beijing tried to capitalize on an opportunity for new friendship with Europe.<sup>154</sup> That issue aside, very little has been discussed concerning Beijing's viewpoint. A crude analysis would suggest that Beijing would understandably like to see the embargo lifted but given Russian supplies of weapons is not particularly troubled by the ban. Economic interdependence would suggest that the strengthening economic relationship with Europe would continue to further peace in the future. Instead, Beijing does indeed place high value on lifting the embargo and has actively tried to undermine it. Increasingly, Europe has grown more open to the idea as well. At stake is the fragile balance of power in Asia and the Taiwan Strait in particular.

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<sup>154</sup> Zalmay Khalilzad. *The United States and a Rising China: Strategic and Military Implications*. (Santa Monica, CA: RAND Corporation, 1999) 17, 19, and 70. See also Richard K. Betts. *Conflict after the Cold War: Arguments on Causes of War and Peace* (New York: Macmillan, 1994), 75. See also Phillip C. Saunders. *China's Global Activism: Strategy, Drivers, and Tools* (Washington, D.C.: National Defense University Press, 2006), 7. See also David Shambaugh. "European and American Approaches to China: Different Beds. Same Dreams?" *Sigur Center Asia Papers* no. 15 (Washington, D.C.: George Washington University, March 2002), 7.

## 1. Historical Context

Since the 1989 Tiananmen massacre, the EU arms embargo on weapons sales and technology remains a contentious debate in the triangular relationship among China, the EU, and the United States. When the EU issued its China paper in September 2003, a dialogue was initiated on lifting the embargo, and Beijing expressed an “insistence” for its immediate end.<sup>155</sup> However, in October 2006 an EU official Communication listed EU “concerns” prior to an implementation of the EU-China ‘strategic partnership.’ The number of EU concerns has grown to include more areas of needed improvement and includes such things as progress on human rights (United Nations Covenant on Civil and Political Rights of citizens), fair market practices, transparency in military spending, implementation of property rights, and fulfillment of WTO obligations.<sup>156</sup>

To date, only economic partnerships have been at the forefront of EU-China summits, while strategic and political aspects have not been fully addressed, causing the period from 2003 to be referred to as a “honeymoon.”<sup>157</sup> However, EU ‘concerns’ are not necessarily ‘official pre-conditions’ to lifting the embargo. Therefore, Beijing has a small amount of diplomatic space to maneuver and make partial concessions at upcoming EU-China summits, if it chooses to do so. The question remains: what will China be willing to concede, if anything, in order to end the last impediment to realizing a true ‘strategic partnership’ with Europe? What will Brussels accept and will Washington’s response be? China’s strategy of facilitating new ‘poles’ or ‘multipolarity’ certainly suggests that some concessions granted in return for lifting the embargo could be a

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<sup>155</sup> Axel Berkofsky. “The EU-China Strategic Partnership: Rhetoric Versus Reality,” *Facing China’s Rise: Guidelines for an EU Strategy*. Chaillot Paper no. 94, Paris: The European Union Institute for Security Studies, December 2006, 110, <http://www.iss.europa.eu/chaillot/chai94.pdf> (accessed June 3, 2007).

<sup>156</sup> David Shambaugh. “China-Europe Relations Get Complicated,” *Brookings Northeast Asia Commentary*, May 2007, <http://www.brook.edu/printme.wbs?page=/fp/cnaps/commentary/shambaugh20070501.htm> (accessed June 3, 2007).

<sup>157</sup> Ibid.

worthwhile endeavor.<sup>158</sup> At a time when Europe has a tarnished image of Washington and its perceived unilateral war in Iraq, China and the EU have grown closer but still have unresolved critical differences.

## **2. Washington's View, in Direct Contrast with Beijing's View**

While Beijing has played down its desire for weapons from the EU and the EU has played down the EU-China strategic partnership in terms of trade and economic ties, Washington views these same issues in a different fashion. From Washington's perspective, the 2003 EU-China agreement on a 'strategic partnership' caused great concern that sometime between 2004 and 2005 the ban would be lifted. In 2004, French President Jacques Chirac told Hu Jintao that the arms embargo "no longer makes any sense" and German Chancellor Gerhard Schroeder told Wen Jiabao that he shared this sentiment.<sup>159</sup> Additionally, Washington is still concerned that the regional balance of power issues between China, the United States, and Taiwan are not as vital an issue to the Europeans. However, in Europe, human rights concerns create more of an impasse. Furthermore, many American conservative think-tanks and respected China-experts have raised alarming questions about an 'emerging axis' between China and the EU. On several occasions, Brussels has declared an outright intent to lift the ban, leaving only the matter of timing unresolved.

In spite of attempts by Brussels and Beijing to downplay Washington's concerns, Washington was quite troubled by the strategic implications of the removal of the EU arms embargo. In response to the warming relationship between China and the EU, Washington has lobbied hard during the 2004 EU-US dialogue on East Asian security to maintain the arms embargo, and has watched the 'honeymoon' process closely. The fact the embargo has not yet been lifted and that EU 'concerns' over China have grown is

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<sup>158</sup> Michael Pillsbury. *China Debates the Future Security Environment*, (Washington, D.C.: National Defense University Press, 2000), 9.

<sup>159</sup> Dale Blumenthal and Thomas Donnelly. "Feeding the Dragon, Hurting the Alliance; Why is Europe Eager to Sell Arms to China?" *The Washington Post*, February 20, 2005.

suggestive of a relationship that has now gotten more “complicated.”<sup>160</sup> The conditions by which the EU arms embargo may eventually be lifted or even held firmly in place depends entirely on the triangular and dynamic relationship between China, the EU, the United States, and the pressures placed on economic, political, and strategic interests. Lingering human rights issues, the 2005 Anti-Secession Law, and the Taiwan Strait have had little or no progress.

### **3. The Significance of the Chinese Desire for Ending the Embargo**

From the Chinese perspective, just how valuable would lifting the embargo even be considering the readily available Russian weapons and technology at significantly lower cost? Could it be that the Chinese place low practical importance on the matter? However, when considering the possession of advanced ballistic missiles, Su-30 fighters, Kilo-class submarines, and Sovremenny-class destroyers, “the missing pieces of the PLA puzzle are exactly the sorts of command and control, communications, intelligence, surveillance and reconnaissance systems that the Europeans are getting ready to sell.”<sup>161</sup> If the Chinese were truly impressed by the precision bombings by U.S. aircraft in Kosovo and have expressed a desire to ‘harden’ its own defenses, then the possession of the more sophisticated ‘dual-use’ technology,” and NATO command and control and communications equipment would share a similar logic. However, because many EU members have interpreted the ban to be on lethal weapons only, many have already “sold defense-related technology to China.”<sup>162</sup>

Beijing views present efforts to maintain the embargo by Washington to be a strategy of containment. Regardless of terms such as ‘engagement,’ PRC leaders have only to look at U.S. policy to recognize intent to contain, ‘soft,’ or otherwise. For

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<sup>160</sup> David Shambaugh. “China-Europe Relations Get Complicated,” *Brookings Northeast Asia Commentary*, May 2007, <http://www.brook.edu/printme.wbs?page=/fp/cnaps/commentary/shambaugh20070501.htm> (accessed June 3, 2007).

<sup>161</sup> Dale Blumenthal and Thomas Donnelly. “Feeding the Dragon, Hurting the Alliance; Why is Europe Eager to Sell Arms to China?” *The Washington Post*, February 20, 2005.

<sup>162</sup> Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 3.

example, after human rights, the Bush Administration has opposed lifting the embargo on the basis of only one other point: “that any expanded EU defense sales to China would damage U.S. security interests.”<sup>163</sup> In 2005, Condoleezza Rice said “the transfer of technology might endanger the very delicate military balance, while there are still American forces in the region.”<sup>164</sup> Similarly, President Bush said that it “would change the balance of relations between China and Taiwan.”<sup>165</sup> Not unnoticed by Beijing, such statements speak directly toward a U.S. desire for a PRC that can neither challenge the United States nor the current balances of power with Taiwan, Japan, and South Korea (vis-à-vis military assistance from China to North Korea).

#### **4. Bilateral Trade: Economic Momentum for Ending the Ban**

From the economic standpoint of bilateral trade, a contentious area in the EU-China relationship is the growing trade deficit in China’s favor. In that regard, the most apparent way to begin to reduce the imbalance to some degree is lifting the embargo on Europeans weapon sales. Europe does have a comparative advantage in high-skilled, high-technology industries, especially over China and to some degree Russia. The latest round of EU-China negotiations includes the Partnership Cooperation Agreement (PCA), which is intended to modernize the 1985 Trade and Economic Cooperation Agreement. For China, fostering this growing relationship is critical to its prospects for economic growth because “China has become the largest supplier of the EU, while the EU has

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<sup>163</sup>Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 8.

<sup>164</sup> Condoleezza Rice. “Remarks with European Commission President Jose Manuel Barroso and European Commissioner Benita Ferrero-Waldner After Their Meeting,” Brussels, Belgium, February 9, 2005. As cited in Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 10.

<sup>165</sup> White House. “President and Secretary General de Hoop Scheffer Discuss NATO Meeting,” Belgium, February 22, 2005, <http://www.whitehouse.gov/news/releases/2005/02/20050222-3.html> (accessed April 30, 2008). As cited in Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 10.

become China's largest trading partner. The increase in bilateral trade has been dramatic, up 20 to 25 percent per year," and up to \$260 billion in 2006.<sup>166</sup>

## **5. China's Strategy for Ending the Embargo**

China's strategy for furthering military ties with Europe was made apparent during March 18, 2007 meeting between Chinese Defense Minister Cao Gangchuan and French Defense Minister Michele Alliot-Marie. First, China downplayed its increased military spending by saying it is intended for peaceful purposes and is of no threat to another country, giving assurances "that much of this year's 17.8 percent increase in China's military budget will go into improving the living conditions of the 2.3 million soldiers." Second, China has been openly considering a French invitation to "train and equip an African peacekeeping force...meant to respond to intra-ethnic and intra-community violence."<sup>167</sup> As a result, this Chinese strategy opened constructive dialogue in support of ending the embargo. Immediately after this meeting, the French Defense Minister was quoted as saying, "The EU arms embargo on China can no longer be justified and should be lifted...It's illogical to keep the arms embargo, and at the same time authorize China to host the 2008 Olympic Games...The arms embargo has no technical justification and any political justification for the embargo is just baseless."<sup>168</sup> Surprisingly, as of the summer of 2006, China has had "more personnel enrolled under the blue UN flag for police and peace-keeping missions than any other permanent member of the UN Security Council or NATO member," which reflects an earnest strive for legitimacy and recognition on the world stage.<sup>169</sup>

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<sup>166</sup> Yang Cheng. "Sino-EU partnership touches new high," *China Daily*, May 9, 2007, [http://www.chinadaily.com.cn/cndy/2007-05/09/content\\_868232.htm](http://www.chinadaily.com.cn/cndy/2007-05/09/content_868232.htm) (accessed Jun 7, 2007). See also Chen Jialu. "China, EU Start Talks on New Pact." *China Daily*, January 18, 2007. [http://www.chinadaily.com.cn/cndy/2007-01/18/content\\_786082.htm](http://www.chinadaily.com.cn/cndy/2007-01/18/content_786082.htm) (accessed May 9, 2008).

<sup>167</sup> Su Qiang. "President Vows to Improve Strategic Ties with France," *China Daily*, March 20, 2007, [http://www.chinadaily.com.cn/china/2007-03/20/content\\_831693.htm](http://www.chinadaily.com.cn/china/2007-03/20/content_831693.htm) (accessed June 7, 2007).

<sup>168</sup> Ibid.

<sup>169</sup> Francois Godement. "Neither Hegemon Nor Soft Power: China's Rise at the Gates of the West," *Facing China's Rise: Guidelines for an EU Strategy*. Chaillot Paper no. 94, Paris: The European Union Institute for Security Studies, December 2006, 57, <http://www.iss.europa.eu/chaillot/chai94.pdf> (accessed June 3, 2007).

The true cause for the initiation of the embargo was the massacre that took place in Tiananmen Square. However, one Chinese strategy commonly invoked for ending the embargo is evident in Chinese Foreign Minister Li Zhaoxing's statement downplaying its modern relevance: "The European embargo on arms sales to China is well and truly a product of the Cold War. It will be lifted sooner or later as doing so is necessary for the sound and harmonious development of relations between China and Europe. We hope that the EU will make the decision as soon as possible."<sup>170</sup> Ironically, some of the Tiananmen protestors are still in jail and this issue remains a concern for the EU. In defining Beijing's political interest in lifting the ban, Assistant Foreign Minister Shen Guofang said China is "extremely concerned" about the embargo and has been working with the EU in finding a way to end it. He also said "it is not consistent with the existing strategic partnerships between China and Europe. The lifting of the ban will greatly promote relations between China and the EU, especially in political development."<sup>171</sup>

## **6. Chinese Methods for Circumventing the Embargo**

Chinese diplomats have been extremely successful in bypassing the intent of the embargo, while having no success in lifting the ban outright. Since the embargo began, European defense-related sales to China have actually increased significantly. According to the EU, "its total defense exports to China doubled from 210 million euros (about \$275 million) in 2002 to 416 million euros (about \$545 million) in 2003. The value of such sales in 2003 was eight times that of sales in 2001 (worth 54 million euros)."<sup>172</sup> In fact, military sales from the Europeans have included blatant military hardware such as, "howitzers, helicopters, fire control radars, jet engines, avionics, diesel engines for naval ships and submarines, and satellites."<sup>173</sup> The Chinese have successfully made these

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<sup>170</sup> "China, EU Say Progress Being Made on Arms Embargo," *Agence France-Presse*, Hanoi, October 8, 2004, <http://www.defensenews.com/story.php?F=417964&C=asiapac> (accessed June 8, 2007).

<sup>171</sup> "EU Urged To Lift Its Arms Embargo Against China," *Agence France-Presse*, Beijing, September 30, 2004, <http://www.defensenews.com/story.php?F=380726&C=asiapac> (accessed June 8, 2007).

<sup>172</sup> Kristin Archick, et al. *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 14.

<sup>173</sup> *Ibid.*, 15.

purchases by exploiting vague wording in the ban itself and newly developed diplomatic ties in Europe. The PRC government has made no secret of its desire to have the embargo lifted and even tried to influence Europeans with additional purchases of Airbus A380s contingent specifically on an end to the embargo.<sup>174</sup>

PRC leaders have also invested a significant amount of diplomatic efforts during the annual EU-China summits and bilateral meetings with European leaders to exploit the poorly worded embargo, EU Code of Conduct on Arms Exports, the weakly defined limitation on sales of ‘non-lethal’ goods, and lack of a limitation on ‘dual use’ items. Put simply, many Europeans have argued that weapons could be controlled much more effectively if the embargo were replaced by stronger and regulated, permissible sales. Such restrictions, in theory, could restrict further proliferation beyond China to rogue states as well. However, Washington has argued that the embargo should indeed be strengthened, but lifting it would allow the sales of even more dangerous Mirage fighters, German submarines, and weapons integrating, “command, control, and reconnaissance systems.”<sup>175</sup> Sources close to the PLA have said that their intent is to acquire “some of the world’s best technological products [because] the many weaknesses of its conventional weaponry are precisely the ones that can be remedied through introducing new products from the EU.”<sup>176</sup>

## **7. Policy Recommendations for Beijing**

Beijing knows three main issues have prevented realizing the full potential of economic and strategic partnerships with Europe. Poor human rights records, cross-Strait

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<sup>174</sup> Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 20.

<sup>175</sup> Ibid., 16.

<sup>176</sup> Yu Yang. “What Weapons Will China Be Able to Purchase from Europe?” *Kuang Chiao Ching*, May 16, 2004, translated by FBIS. As cited in Kristin Archick, et al. *European Union’s Arms Embargo on China: Implications and Options for U.S. Policy*. RL 32870 (Washington, D.C.: Congressional Research Service, Library of Congress, May 27, 2005), 21.



relations with Taiwan, and the weapons embargo have “spoiled the party.”<sup>177</sup> From Beijing’s perspective, human rights and the question of Taiwan are internal matters of the kind to be free from interference. In contrast, Beijing sees the weapons embargo as altogether different and solidly in the realm of political and international discourse and negotiation. The problem for Beijing, aside from Washington’s strong influence in Brussels, is that for the Europeans human rights and to a lesser degree the cross-Strait relationship is closely tied to easing the embargo. Beijing has rejected the accusations that it is trying to “hold the EU hostage” by withholding economic favor until the embargo has been lifted and also has rejected the notion that China needs the weapons or technology at all.<sup>178</sup> Instead, Beijing has officially stated, “that lifting the embargo is to be understood as a signal that the EU is accepting and acknowledging China as an equal partner on the international stage.”<sup>179</sup> However, that statement, downplaying the importance of weapons as an issue was recent and is markedly different from the strong calls it had made from 2003 to 2005 for the embargo to be lifted. The apparent display of ambivalence is merely an attempt to minimize the critical issues of human rights and Taiwan, while implying unfair treatment by the West. The current strategy of Beijing is patient and consistent with promoting ‘China’s peaceful rise’ as an ‘economic opportunity’ rather than the Western suspicions of a ‘China threat.’ Time is in China’s favor.

Increasingly, China’s economic ties with Europe and many other parts of the world have been strengthening, as has the military capability of the PLA. The ban will likely be lifted within five or ten years as long as the PRC remains stable on the critical issues of human rights and cross-Strait relations. For now, China’s attempts to lift the embargo and gain a fully realized ‘strategic partnership’ with Europe have failed. Its newest strategy used in the 2007 Partnership and Cooperation Agreement (PCA) is

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<sup>177</sup> Axel Berkofsky. “The EU-China Strategic Partnership: Rhetoric Versus Reality,” *Facing China’s Rise: Guidelines for an EU Strategy*. Chaillot Paper no. 94, Paris: The European Union Institute for Security Studies, December 2006, 110, <http://www.iss.europa.eu/chaillot/cha94.pdf> (accessed June 3, 2007).

<sup>178</sup> Ibid.

<sup>179</sup> Ibid.

intended to play toward its economic strengths and continue its use of “soft power” to open European markets to Chinese trade.<sup>180</sup> It should be noted that the current framework and legal basis for governing EU- China relations rests with the 1985 Trade and Economic Cooperation Agreement (TECA). Although the EU-China summit of September 2006 declared an attempt to adopt a new PCA and discussions began in January 2007, a formal PCA is not in place and the TECA currently remains the legal basis for EU-China relations.<sup>181</sup>

China has recognized that bilateral talks with European nations such as France, Germany, and the Netherlands have been much more successful in gaining support. In contrast, direct negotiations with the EU has been problematic because of the nature of multilateral views and a subsequent lack of consensus on the embargo. However, the absence of supporters such as the former French President Jacques Chirac and German Chancellor Gerhard Schroeder from Germany will also require further patience for the next several years on Beijing’s part. Over time, prudent domestic and foreign policies, increased economic ties with Europe, and a successful 2008 Olympics will serve to weaken resolve on the embargo and strengthen the case for an adequate substitution.

## **C. U.S. POLICY CONCERNING THE EMBARGO**

### **1. Considerations of Security, Trade, and Human Rights**

Members of the EU have demonstrated a greater propensity for arms sales to the PRC than to Taiwan. Given American security interests in East Asia, Washington is understandably more concerned with balance of power issues between itself and the PRC and the PRC and Taiwan. Its concern is likely to remain well into the future, particularly as PRC defense spending and relative military power in the region continues to shift in China’s favor. There is no doubt that military hardware and dual-use technology from

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<sup>180</sup> Francois Godement. “Neither Hegemon Nor Soft Power: China’s Rise at the Gates of the West,” *Facing China’s Rise: Guidelines for an EU Strategy*. Chaillot Paper no. 94, Paris: The European Union Institute for Security Studies, December 2006, 57, <http://www.iss.europa.eu/chaillot/chai94.pdf> (accessed June 3, 2007).

<sup>181</sup> Chen Jialu. “China, EU Start Talks on New Pact.” *China Daily*, January 18, 2007, [http://www.chinadaily.com.cn/cndy/2007-01/18/content\\_786082.htm](http://www.chinadaily.com.cn/cndy/2007-01/18/content_786082.htm) (accessed May 9, 2008).

the EU has indeed bypassed the arms embargo. In terms of the cross-Strait balance of power, it is interesting to note that EU member states have been much more careful in restricting military items bound for Taiwan than to the PRC. For example, in 1991, the French sold Lafayette frigates and Mirage fighters to Taiwan, but there is no further evidence of EU transfers to Taiwan since that time.<sup>182</sup> Furthermore, Washington's inability to fulfill its April 2001 promise of helping Taiwan purchase eight diesel submarines and related technology (presumably from Germany or the Netherlands), reflects great reluctance in Europe to anger the PRC.<sup>183</sup> EU member states have abided by an agreed one China policy and, as requested by the PRC, have agreed "not to sell to Taiwan any weapon, equipment, goods, materials or technology that can be used for military purposes."<sup>184</sup> Further clarifying the EU stance, the European Commission stated its policy in 2006 by saying, "The EU has a significant stake in the maintenance of cross-Straits peace and stability. On the basis of its One China Policy, and taking account of the strategic balance in the region, the EU should continue to take an active interest, and to make its views known to both sides."<sup>185</sup> During a January 2007 joint press conference between Chinese Foreign Minister Li Zhaoxing and visiting EU counterpart Benita Ferrero-Waldner, Li had a forceful yet clear position on the matter of Taiwan. "I hope the EU side can make concerted efforts with China to combat Taiwan independence and jointly safeguard the peace and stability across the Taiwan Straits, in the Asian and Pacific region and the whole world."<sup>186</sup>

The issues regarding human rights are particularly relevant given approach of the 2008 Olympics and unrest in Tibet. The liberal use of the death penalty remains the most

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<sup>182</sup> Michael Yahuda. "Europe and America in Asia: Different Beds. Same Dreams?" Sigur Center *Asia Paper* no. 18. Washington, D.C.: George Washington University, March 2004, 6.

<sup>183</sup> Michael Yahuda. "Europe and America in Asia: Different Beds. Same Dreams?" Sigur Center *Asia Paper* no. 18. Washington, D.C.: George Washington University, March 2004, 6.

<sup>184</sup> Ministry of Foreign Affairs of the People's Republic of China. *China's EU Policy Paper*, October 2003, <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm> (accessed May 5, 2007).

<sup>185</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 11, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008).

<sup>186</sup> Chen Jialu. "China, EU Start Talks on New Pact." *China Daily*, January 18, 2007, [http://www.chinadaily.com.cn/cndy/2007-01/18/content\\_786082.htm](http://www.chinadaily.com.cn/cndy/2007-01/18/content_786082.htm) (accessed May 9, 2008).

contentious human rights issue for the EU and the United States. Although the EU does not approve of the use of the death penalty under any circumstance, particularly by the United States, the issue should be placed in the proper relative context. According to a 2004 estimate by a Chinese legislator, Chen Zhonglin, China executes as many as 10,000 prisoners per year for 68 possible offenses that go beyond the traditional capital offenses of rape and murder and include non-violent crimes such as tax fraud, embezzlement, various drug crimes, and political crimes.<sup>187</sup> Furthermore, the use of torture and a lack of an independent judiciary complicate Western sentiments on China's human rights record. Though EU-China relations have improved, it is fair to characterize EU attitudes on China's human rights record as initially hopeful and now of general disappointment. The EU Commission made this characterization on the matter, "the EU's expectations – which have increased in line with the quality of our partnership – are increasingly not being met."<sup>188</sup>

Trade continues to be the major force drawing the EU and China closer together, yet in 2005 also has helped to cool the blissful outlook of the EU-China dialogue on lifting the embargo. According to the EU Commission, EU trade to China from 2000 to 2005 increased by more than 100 percent, the largest increase in the world, and China's exports to the EU constitute almost 20 percent of its total.<sup>189</sup> The EU has recognized China to be "an important source of growth for the EU," while also blaming China's current growth model as "the source of important imbalances in EU-China trade." Specifically, the EU has argued that it also in China's best interest to revalue its currency to help address the trade imbalance as well as to "contain risks of overheating, and at the same time meet China's shared responsibility to ensure a stable and balanced world

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<sup>187</sup> Amnesty International. *People's Republic of China, the Olympics Countdown – Failing to Keep Human Rights Promises*, September 2006, 2 and 4, <http://www.amnesty.org/en/library/asset/ASA17/046/2006/en/dom-ASA170462006en.pdf> (accessed May 8, 2008)

<sup>188</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 4, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008).

<sup>189</sup> *Ibid.*, 7.

economy.”<sup>190</sup> However, China’s willingness to entertain Western demands to revalue its currency, have been by Western standards, unsatisfactory.

## **2. An Appropriate U.S. Policy toward China**

### ***a. Addressing the Challenges: the Taiwan Question***

Finding an appropriate U.S. policy toward China is particularly challenging given the complexities of American security commitments in East Asia and especially in Taiwan. Policies of “strategic ambiguity” admittedly do conflict with the Taiwan Relations Act of 1979 (TRA), which states “It is the policy of the United States to provide Taiwan with arms of a defensive character; and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.”<sup>191</sup> Moreover, the three of the “Six Assurances” of 1982 state that,

1. The United States would not set a date for termination of arms sales to Taiwan.
2. The United States would not alter the terms of the Taiwan Relations Act.
3. The United States would not consult with China in advance before making decisions about U.S. arms sales to Taiwan.<sup>192</sup>

In understanding the modern relevance of the “Taiwan question,” it should be noted that as recently as March 4, 2008, National People’s Congress spokesperson, Jiang Enzhu said that “If the Chen Shui-bian authorities [then Taiwanese President] should stubbornly continue down the path [toward independence], they will surely pay a

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<sup>190</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 4, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008), 6.

<sup>191</sup> U.S. Congress. *Public Law 96-8*, April 10, 1979, <http://www.taiwandocuments.org/tra01.htm> (accessed May 7, 2008).

<sup>192</sup> The “Six Assurances” to Taiwan, *Third United States-China Joint Communiqué*. July 1982, <http://www.taiwandocuments.org/assurances.htm> (accessed May 7, 2008).

dear price.”<sup>193</sup> Although the spokesperson did not elaborate on the threat, the implication is quite clear given the 2005 Anti-Secession Law. Furthermore, neither the EU nor the United States would support any incendiary moves toward independency. The March 22, 2008 election of Kuomintang (KMT) candidate, Ma Ying-jeou, seems to have dampened even the most subtle gestures toward independence. However, sentiments toward formal independence, formal recognition, and entry into the UN under the name of Taiwan rather than the Republic of China, are likely to remain causes of contention beyond the current Taiwanese presidency.

***b. Current U.S. Policy***

Washington’s political motivations or incentives for perpetuating the EU’s arms embargo on China and even its own embargo have changed since 1989. According to Frans Paul van der Putten, first, the EU’s initial impetus for the emplacement of the embargo was to pressure the Chinese government into easing its aggression toward pro-democracy activists. Second, over time the embargo was used as a political tool to pressure the PRC toward human rights improvements. Third, the embargo became emblematic with issues of the cross-Strait balance of power that did not exist between 1979 and 1995.<sup>194</sup> Though the elevation of these issues arose over time, their relative importance to the issue of the embargo has not declined with time. This is to say that all of these issues still have relevance and have gained contemporary importance collectively. In addition, pro-democracy demonstrators remain in jail to this day and human rights issues remain at the fore with an unratified ICCPR. Olympics protests and demonstrations in Tibet have also added to the contemporary relevance of these issues. Though EU governments are not as directly affected by potential conflict in Taiwan as is the United States, they do support a one-China policy which promotes non-use of force. Of great importance to American leaders, many EU member states have been eager to

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<sup>193</sup> “China Warned Tuesday that Taiwanese President Chen Shui-Bian Will Pay a Dear Price if He Continues with Current Pro-Independence Plans.” *Associated Press*, Beijing, March 4, 2008, <http://www.foxnews.com/story/0,2933,334742,00.html> (accessed May 8, 2008).

<sup>194</sup> Frans Paul van der Putten. “The EU Arms Embargo, Taiwan, and Security Interdependence between China, Europe and the United States.” *China and the World*, special edition of *The Indian Journal of Asian Affairs*, (July 2007): 2.

befriend China, receive lucrative contracts, and are often tempted with the sale of military-related equipment and technology to China.

Washington's political motivations for maintaining the EU arms embargo have paralleled the EU's path over time, but have considerably more emphasis and greater importance on the cross-Strait balance of power issues. Perpetuating the status quo with regard to Taiwan has been the most appealing option for Washington given the potential alternatives involving conflict. Non-confrontational strategic ambiguity has fostered the least amount of potential for antagonism. For its part, Beijing is also satisfied with the status quo, which necessitates minimal saber rattling on the part of Taiwan and peaceful talks advocating re-unification under the pretense of one-country, two-systems. As with the EU, Washington would also benefit enormously from military sales to China, but this option remains highly problematic and untenable for Washington. Ironically, if the EU arms embargo were to be lifted, perpetuating the U.S. embargo would also be more difficult, given the competitive nature of U.S. and EU defense industries and the potential for lost sales to Europe. The most attractive option for Washington is and has been applying some political pressure on the EU, while emphasizing to the Europeans the importance of transatlantic institutions such as NATO and the necessity of realizing quantifiable human rights improvements in China. In that regard, the nature of the U.S. policy to perpetuate the EU arms embargo shares a parallel logic with the Taiwan question. Because of the intricate complexities within the triangular relationship and the broad effects on the embargo by security issues, human rights and trade concerns, it is in the best interests of the United States, the EU, and the PRC to perpetuate the status quo in the near term and defer, delay, and optimistically avoid the preconditions for potential conflict.

*c. Policy Recommendations*

It is in the best interests of the United States, the EU, and the PRC to maintain positively engaged in diplomatic and economic relations. It is natural that the EU, with the world's largest market and world's emergent "global reserve currency," and the PRC, the world's fourth largest economy and third largest exporter, would seek close

ties with each other.<sup>195</sup> Since the Cold War's end the relative power of the EU and the PRC will inevitably increase and inevitably mature toward multipolarity. In terms of globalization and economic trade, the rise of other actors does not necessitate a zero-sum game; the benefits are most often mutually beneficial. In terms of military balances of power, the rise of other actors requires that the United States remain engaged and foster positive relationships, which foster trust and cooperation. While China's leaders often speak of grandiose democratic reforms, the reality is that it will remain extremely hesitant to institute liberalizing political reforms. What China says and what it does often appear to be contradictory, yet its leaders would argue that its expectations of rates of change differ with the West. Its leaders would also argue that its pace as a "developing nation" is as good as should be expected, particularly given its size and domestic challenges. The best strategy for all sides has remained encouraging friendly dialogue, while fostering constructive change. Harsh criticisms of China by the West have been historically counterproductive in terms of qualitative change.

Maintaining the embargo remains problematic on all sides of the triangular relationship. For China, the embargo is reminiscent of the Cold War and places it in an unenviable position amongst other embargoed nations such as Sudan and Zimbabwe. Yet China's economic might and potential markets in the globalized arena, place it squarely among the best in the world particularly with regard to purchasing power parity (PPP) annual growth rates. China remains of too great an importance to isolate or ignore. Certainly, China has made impressive efforts to integrate into diplomatic and economic organizations, yet is unwilling to satisfy Western appeals to reform politically in what it views as internal affairs. In that regard, over time China has been able to integrate itself more and more, albeit to limited degrees, without having to satisfy much of what has been asked of it. To be sure, China has had steady progress in economic liberalization, but political reforms are for the time being unattainable. From China's view, maintaining the status quo, in terms of resisting political reforms, has been paying off. Because a current balance exists on all sides of the triangular relationship, China's calls to lift the

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<sup>195</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 1, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008).



embargo have not been as vociferous as they might otherwise be. This is to say that China would like to have the embargo lifted in order to realize recognition as a respected partner and would also like to acquire greater weapons and weapons-related technology, but not enough to either reform itself or perhaps more importantly to anger its most important trading partners, the EU and the United States. For now, the emerging strategic partnership between China and the EU has been positive, but the United States must insist that the embargo remain in place.

China has an incentive to continue to integrate itself into international economic and diplomatic circles, without yielding much in the way of political reforms, which it sees as potentially self-destructive. Its behavior will likely be predictable. The EU and the United States are likely to engage China, as this strategy has yielded great economic benefit to both. Yet each must tactfully insist on improvements in human rights prior to acquiescence. To yield on the issue of the embargo is to admit to and relegate that human rights have little relative importance when compared with trade. Issues of human rights, coupled with security concerns, have for the time being outweighed economic motivations for lifting the embargo. Such a move would be problematic given the domestic public sentiments on those issues. China's failure to ratify the ICCPR and pass the 2005 Anti-Secession Law has perpetuated the embargo to the benefit of the United States and Taiwan. If China had ratified the ICCPR, implemented to some modest political reforms, freed some of the Tiananmen protestors and not passed the 2005 Anti-Secession Law, the embargo would have undoubtedly been lifted in late 2005. Little argument could have been made to prevent its lifting if China had acted in ways which indicated conformity to internationally accepted norms. Ironically, those decisions by the PRC have perpetuated the embargo, but also maintained the peaceful and balanced status quo. For China, the path to lifting the embargo is clear, though it remains unwilling to choose that path because of its political insecurities. The greatest irony is that the embargo would likely have been lifted had China simply not passed the 2005 Anti-Secession Law alone. The previous issues relate to a lack of political reform, which has been particularly disheartening for Western observers. However, the matter of the 2005 law reflects an unwillingness to renounce the use of

violence on the matter of Taiwan. In fact, it proclaims it. That issue alone is enough to perpetuate the embargo, but the issues of human rights and a lack of political reforms make the case much easier for Washington to argue. China's timing on the matter could not have been more perfect for Washington, Taipei, and Tokyo. For now, the EU's hands are, metaphorically speaking, tied. Political movement on the issue of the embargo appears stagnant, but is in actuality awaiting Beijing's next move by way of reforms.

China's principles of non-interference and surplus in currency exchange have made it particularly appealing in the third world. In China's quest for natural resources, particularly in Africa, it has been well received because it readily contributes capital and quite understandably asks little of its hosts in the way of prerequisites to human rights improvements. While an attractive attribute for China in the third world, maintaining this strategy indefinitely will remain "increasingly untenable" given its growing "economic importance" and "increasingly active diplomatic commitments" including those in the UNSC.<sup>196</sup> This is to say that more and more in the way of world leadership will be required of China. Greater responsibilities coincide well with China's desire for respect, but are admittedly in conflict with "non-interference." China's behavior is likely to change slowly as it begins to recognize itself in a new role of prominence in the world.

#### **D. CHAPTER CONCLUSION**

In more fully understanding China-U.S. relations as they pertain to the embargo, it is helpful to understand that the drivers of Beijing's foreign policies, the role of the CCP in government, and its economic legacies and reforms. These issues uncover several historical complexities that lead to limitations on how much Beijing is politically willing or able to accommodate Western concerns. How Beijing views the embargo and attempts to circumvent it is also reflective of some of these legacies. In the analysis of appropriate U.S. policies toward China and recommendations on improving bilateral ties with respect to the embargo and security issues, human rights, and trade concerns, the

attractiveness in maintaining the status quo is apparent. In much the same way that strategic ambiguity and the status quo have afforded relative peace to the Taiwan question, the status of the embargo also benefits Beijing, Brussels, and Washington more by maintaining the status quo. Admittedly, the EU arms embargo remains a difficulty and an embarrassment in the triangular relationship, but attempts to lift it have for the time being, created more problems than benefit. Until China is willing to concede on some very basic human rights requests and lessen the rhetoric advocating force in Taiwan, it will likely not see the embargo lifted.

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<sup>196</sup> European Commission. Communication from the Commission to the Council and the European Parliament, *EU-China: Closer Partners, Growing Responsibilities*, Brussels, October 24, 2006, 3, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0631en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0631en01.pdf) (accessed May 9, 2008).

## **V. ANALYSIS AND SUMMARY CONCLUSIONS**

Since 2001, the status of the EU arms embargo on China has had important implications for the United States and its policy-makers. American leaders have been faced with tough decisions on an appropriate and consistent policy toward China that addresses its rapidly growing economy and military capabilities. Additionally, the lack of political reform in China, and its involvement in weapons proliferation, and human rights abuses have complicated the search for consistent policies. Within three bilateral relationships, U.S.-EU, China-EU, and China-U.S., the status of the embargo has both been perpetuated and weakened by the issues relating to security, human rights, and trade. The embargo debate continues to raise awareness on these issues as well as to competing interests and concerns over the true intent of an EU-China strategic partnership.

American security interests would certainly be negatively affected if the EU were to lift the embargo. The strategic implications of such an action would disrupt the current regional balances of power and potentially raise the possibility of conflict. The EU has great economic interest in lifting the embargo in terms of gains in total trade, weapons sales, and the export of dual-use technology. Certainly, American pressure has affected the EU's decision-making about the embargo and encouraged popular support within the EU to wane because of human rights concerns. While U.S.-EU relations were strained by EU attempts to lift the embargo, concerns over counterbalancing by China and the EU against the United States have largely disappeared since 2005, when formal and concerted efforts to lift the embargo stalled. American policy-makers have continued to discourage EU governments from making shortsighted efforts to obtain financial gains without first considering long-term strategic implications in the cross-Straits and human rights improvements in China.

There is no doubt that China hopes to gain military technology from Europe that would help to lessen trade imbalances and improve technical disadvantages its military faces. Such a strategy is a part of China's quest for a normalized relationship with the

EU, but because of China's unwillingness to concede on some issues this relationship has not truly been realized. In this regard, the EU relies on a post-Westphalian model of cooperation and consensus-building that yields a measure of authority in order to gain mutual benefit. In contrast, China has been politically inflexible and unwilling to accept EU attempts to socialize it toward this end. The 2005 Anti-Secession law and China's failure to address EU human rights concerns by ratifying the UN's International Convention on Civil and Political Rights have been factors in perpetuating the embargo. Furthermore, China's perpetual refusal to release the still imprisoned Tiananmen Square protesters has given credibility to China's human rights observers.

Current Sino-EU relations have indeed been strained by the failed attempts to lift the embargo and by bilateral trade disputes. Such issues have functioned to cool the strength and character of the EU-China strategic partnership and also to reassure Washington's concern as to the trajectory of this partnership. However, the fact that China and the EU still actively discuss the embargo warrants continued American observation and interest. An effective U.S. policy toward China should continue to perpetuate the embargo because it serves to balance maintaining security issues with advocating improvements to human rights in China. Lost trade and defense sales result as a consequence of the embargo, but this deficit is a small price to pay for the maintenance of regional peace and stability. The future of the embargo rests almost entirely upon China's willingness to act on its own political reforms. At present, China has remained unwilling to make tangible improvements, so the embargo is likely to remain in effect in the short term. Through experience, EU and American leaders have been somewhat cautious of harsh official criticisms of China, because such efforts have been largely counterproductive to policies of engagement. As a result, EU and American leaders have become largely pessimistic over their expectations about the relative pace of Chinese reforms. Current EU and American policies continue to encourage China to reform, but are not outwardly hostile in nature. In conclusion, it is important to note that Washington, Beijing, and Brussels have all benefited from the current status quo and balance between competing interests, even though the embargo issue remains unresolved.

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